Group Annual Report 2013

Financial highlights 2013

Revenue

78,459 DKKm
2012: 79,454 DKKm

Organic growth

4.3%
2012: 1.7%

Cash conversion

102%
2012: 103%

Operating profit [1)]

4,315 DKKm
2012: 4,411 DKKm

Operating margin

5.5%
2012: 5.6%

Number of employees

533,544
2012: 534,273

1) before other items

Key events 2013

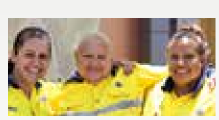
11 January
ISS awarded NATO management advisory services contract, page 66

28 February
Red Cross and ISS in close cooperation, page 46

DANISH RED CROSS

22 March
ISS to deliver integrated facility services to Citi in the Asia and Pacific regions, page 77

4 April
ISS Australia supports indigenous employment, page 54



8 May
ISS named world's best outsourcing company, page 19

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Front page photo:
Jeanette Hinge
Receptionist, ISS HQ, ISS Denmark

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ISS delivers integrated facility services for H. J. Heinz in Europe, page 50

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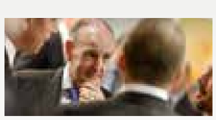
Lord Allen of Kensington elected as new Chairman of ISS, page 68



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ISS superheroes swing into action, page 52

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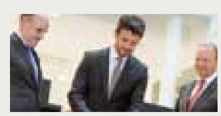
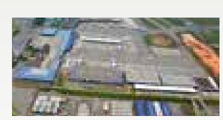
ISS named Facilities Management Company of the Year in the Asia and the Pacific regions, page 55



4 November
Royal opening of the new ISS headquarters, page 44

27 December
ISS explores new business segment in Brazil, page 20



ISS at a glance

ISS was founded in Copenhagen in 1901. Today, we are one of the world's largest facility services providers with more than half a million employees in over 50 countries across Europe, Asia, North America, Latin America and the Pacific. We offer single-service, multi-service and integrated facility service (IFS) solutions to our public and private sector customers around the globe, including cleaning services, property services, catering services, support services, security services and facility management services.

Our vision

"We are going to be the world's greatest service organisation."

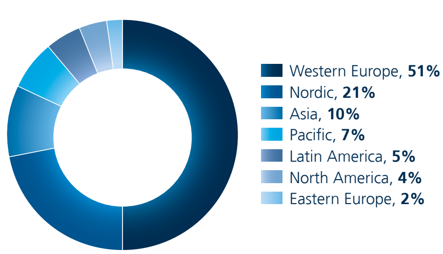
This is an ambitious goal, not least when you consider that we are a team of 533,544 individuals, with millions of customer interactions every day. To get there we will self-deliver a consistent and excellent service performance, as defined in our value proposition, enabling our customers to focus 100% on their core business.

In May 2013, the International Association of Outsourcing Professionals ranked ISS as the world's best outsourcing provider, which shows that we have taken an important step towards achieving our vision.

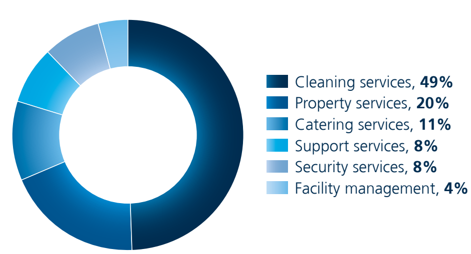
Our business model

ISS's business model is based on creating value for our customers by taking on their non-core facility services and allowing them to focus on what they do best. Focusing on our selected customer segments, we offer leading value propositions based on our philosophy of self-delivery excellence within each of our facility service deliverables.

REVENUE BY REGION



REVENUE BY SERVICE



Our value proposition

"Service performance that facilitates our customers' purpose through people empowerment."

This is what we deliver to our customers, boiled down into a single sentence. Our value proposition identifies the overall customer benefits upon which we focus our operations in order to anticipate and meet our customers' evolving needs. By combining our self-delivery capabilities with people and process management, we lead the way in service performance and facilitate our customers' purpose. In other words, ISS adds value by providing greater efficiency in customer facilities, ease of mind in doing business with us, and a better service experience for our customers' stakeholders.

Our market

Integrated facility services (IFS)

We constantly develop and evolve the ISS service offerings in order to meet customer needs. In recent years, our customers have realised the benefit of having fewer providers take care of their facilities. In response, we have expanded our offering and developed a full range of services, with particular emphasis on our IFS concept.

IFS gives customers a single point of contact and the benefit of having only one company delivering all facility services instead of having many different service providers on their premises.

The key market trends are going our way

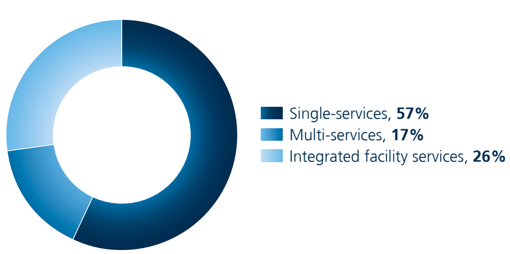
There are a number of trends in the market for facility services that ISS is well positioned to benefit from. These include:

- Rapid growth in emerging markets
- A shift towards the use of IFS contracts
- An increase in central procurement by major corporate customers
- A continued increase in outsourcing of facility services

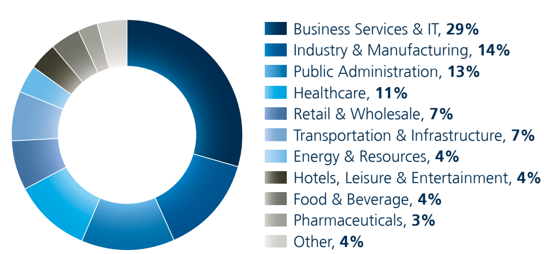
Our global presence

ISS is uniquely positioned to meet the growing demand from multinational corporations for the delivery of IFS across borders. We are present in countries accounting for more than 90% of the world's GDP. We aim to provide a consistent service delivery globally across sites, countries and regions while meeting customer demands for flexibility. We have a particularly strong position in emerging markets, where we have more than half of our employees and generate 23% of our revenue.

REVENUE BY DELIVERY



REVENUE BY CUSTOMER SEGMENT



Letter to our stakeholders

2013 was an important year for ISS. We accelerated the implementation of our key strategic priorities, aligned and focused our business platform, reduced our debt significantly, strengthened our Executive Group Management Board and implemented several large international IFS contracts – all while maintaining a solid business performance throughout the year.

At the end of 2013, ISS had 533,544 employees, making our company one of the largest private employers in the world and one of the largest employers in many of the countries where we operate. Our employees are our most important asset. They add the power of the human touch to every service that we deliver to our many customers around the globe. We care about our customers' businesses as if they were our own, and this attitude is at the heart of our ability to empower every ISS employee to provide the best possible service that they can. This is the key ingredient of our value proposition, which is to create value for our customers by taking over their non-core activities and allowing them to focus on what they do best.

Transformation and acceleration are the words that best describe ISS in 2013.

Firstly, we successfully implemented several large, complex integrated facility services (IFS) contracts, including one that is probably the largest of its kind: the Barclays contract, under which we deliver services globally at more than 4,900 sites. Through strong organic growth IFS contracts now constitute more than 26% of our overall revenue. Furthermore, during the course of just a few years we have expanded our portfolio of Global Corporate Clients to a total of 15 major contracts, with the result that they now account for 8% of our global business.

Secondly, in pursuit of our strategy, The ISS Way, we accelerated the alignment of our business platform through the successful divestment of several non-core activities, including pest control in 12 countries and the Nordic damage control activities. In the countries involved, the divestments have further strengthened local management's focus on our core business.

Thirdly, we implemented a new organisational structure. We expanded and strengthened the Executive Group Management Board and established two new COO Boards, for the Europe, Middle East & Africa (EMEA) region and for the Americas & Asia Pacific region. This change has allowed us to sharpen the focus and reinforce collaborative ties between our significant operations in Europe, as well as strengthening the control environment and support of our emerging markets. Emerging markets continued to report high growth rates, and they now represent more than half of our employees and deliver 23% of our revenue.

Lastly, in support of the ongoing execution of our strategy, we continued to deleverage ISS and further simplified the capital structure.

As always, the efforts of the entire organisation have had a significant impact on our operational results. Organic growth for 2013 came in higher than we had estimated in our guidance at the beginning of the year, as did our cash conversion. However, we experienced some margin pressure that was primarily due to the continuing weak global economy, particularly in certain parts of Europe, and the divestment of the margin-accretive pest control business.

During the year, we strengthened our focus on certain forward-looking KPIs, which provide indications about the future performance of ISS, as a supplement to our financial KPIs of organic growth, operating margin and cash conversion. We increased our emphasis on both customer and employee engagement as well as Health, Safety and Environment (HSE) KPIs, which have led to improved leadership scores and stronger customer and employee ratings – all of which are essential to our retention strategies.

"I was delighted and honoured to become chairman of the Board and I very much enjoy working with the leadership of ISS and the rest of the Board."

Lord Allen of Kensington CBE

In May 2013, for the first time ever, the International Association of Outsourcing Professionals (IAOP) ranked ISS as the world's best outsourcing provider ahead of a number of other leading global facility services providers, business process and IT outsourcing brands.

In August 2013, Ole Andersen announced his resignation after serving more than eight years on the Board of Directors. Ole Andersen has been an excellent chairman, serving ISS very well. During his tenure ISS has transformed into a truly global IFS provider.

During the autumn of 2013, ISS moved to new state-of-the-art corporate headquarters designed to support our ISS Way strategy by facilitating collaboration and interaction across departments and functions. The new headquarters are a showcase of what ISS stands for: a workplace of the future delivering innovative service performance based on people, processes and technology.

On 18 February 2014, following several months of preparation, we announced our intention to launch an Initial Public Offering (IPO) of ISS shares and to list on NASDAQ OMX Copenhagen.

Looking ahead, we expect to benefit from increasing tailwinds from the successful execution of our strategy, partly offset by sustained headwinds from the continuing weak macroeconomic setting in some of our most important markets.

Yours faithfully

Lord Allen of Kensington CBE
Chairman

Jeff Gravenhorst
Group Chief Executive Officer

"The best preparation for a good tomorrow is doing a great job today"

Dave Fitzgerald
Service worker, Heinz
ISS United Kingdom
Dave's eye for detail is crucial working at the Heinz warehouse in the United Kingdom. He makes sure everything is in the right place, making it much easier for everybody else to carry out their job. Dave enjoys seeing the difference he and his colleagues make.

Outlook

The outlook should be read in conjunction with "Forward-looking statements" (see Definitions on page 169) and Risk management on pages 57-60.

The outlook for 2014 is based on a mixed global macro-economic forecast. We expect continued low positive GDP growth and challenging macroeconomic conditions with possible improvements in parts of Europe. In emerging markets we expect to continue to deliver high growth rates which are expected to be negatively impacted by the slow-down in certain economies, especially in Asia.

In 2014, we will remain focused on our key financial objectives; (i) organic revenue growth, (ii) operating margin and (iii) cash conversion.

KEY FINANCIAL OBJECTIVES

Revenue growth

3-4%

We expect revenue growth in 2014 to be 3% to 4% assuming constant foreign exchange rates 1) and before the impact of any acquisitions or divestments completed in 2013 and 2014.

Changes in foreign exchange rates are expected to negatively impact revenue growth in 2014 by approximately 3 percentage points 2). Divestments and acquisitions completed in 2013 and divestments completed in 2014 are expected to negatively impact revenue growth in 2014 by approximately 5 percentage points 3). We expect total revenue growth in 2014 to be negative by 4% to 5%.

Operating margin

above 5.5%

Operating margin in 2014 is expected to be above the 5.5% realised in 2013.

Cash conversion

>90%

Cash conversion is expected to be above 90%.

1) For the purpose of the outlook for the year ending 31 December 2014, constant foreign exchange rates are the realised average exchange rates for the financial year 2013.
2) Calculated revenue for 2014 at exchange rates at 31 December 2013, less the same revenue calculated at the average exchange rates for the financial year 2013, relative to revenue realised in 2013 less estimated revenue from divestments completed in 2013 and 2014.
3) At 31 December 2013 we had certain businesses held for sale, see page 18. The outlook for the year ending 31 December 2014 includes only divestments completed in 2014 as of and including 28 February 2014, comprising the landscaping activities in France, the pest control activities in India, the security activities in Israel and the HVAC activities in Belgium. Expectations for the year ending 31 December 2014 exclude the divestment of the commercial security activities in Australia and New Zealand, which had revenue of approximately DKK 0.8 billion in 2013.

“I nurture the flowers to ensure a blooming business”

Polona Oblak
Head of Ground and Landscaping, Novartis
ISS Slovenia

Polona knows how important first impression is, and that is why she always goes the extra mile to make the premises at Novartis in Ljubljana, Slovenia, look beautiful. Polona believes that a well-kept environment makes a positive impact for a better workplace.

Key figures and financial ratios

DKK million (unless otherwise stated)	2013	2012	2011	2010	2009
Income statement					
Revenue	78,459	79,454	77,644	74,073	69,004
Operating profit before other items [1]	4,315	4,411	4,388	4,310	3,911
EBITDA	5,002	4,956	5,020	5,042	4,182
Adjusted EBITDA [2]	5,102	5,264	5,243	5,160	4,779
Operating profit [3]	4,215	4,103	4,165	4,192	3,314
Financial income	170	217	197	198	223
Financial expenses [4]	(2,446)	(2,943)	(2,999)	(2,609)	(2,568)
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts [4]	1,026	421	475	1,031	385
Net profit/(loss) for the year [4]	(397)	(450)	(503)	(532)	(1,629)
Cash flow					
Cash flow from operating activities	3,715	3,855	3,676	4,036	3,732
Acquisition of intangible assets and property, plant and equipment, net	(803)	(762)	(1,010)	(886)	(897)
Financial position					
Total assets	48,576	53,888	54,980	55,455	54,354
Goodwill	23,155	25,841	27,170	27,747	27,434
Additions to property, plant and equipment	754	789	938	861	954
Net debt	22,651	25,955	29,905	30,623	30,886
Total equity (attributable to owners of ISS A/S) [4]	4,237	5,097	2,127	2,626	2,190
Employees					
Number of employees at 31 December	533,500	534,200	534,500	522,700	485,800
Full-time employees, %	74	73	73	73	71
Growth, %					
Organic growth [5]	4.3	1.7	6.3	3.5	0.6
Acquisitions	0	0	0	0	3
Divestments	(2)	(2)	(2)	(2)	(1)
Currency adjustments [6]	(3)	2	1	5	(3)
Total revenue growth	(1)	2	5	7	0
Other financial ratios, %					
Operating margin [2]	5.5	5.6	5.7	5.8	5.7
Equity ratio	8.7	9.5	3.9	4.7	4.0
Interest coverage [2]	2.2	1.9	1.9	2.1	2.0
Cash conversion [2]	102	103	93	98	96
Basic earnings per share (EPS), DKK	(2.9)	(4.0)	(5.1)	(5.5)	(16.5)
Diluted earnings per share, DKK	(2.9)	(4.0)	(5.1)	(5.5)	(16.5)
Adjusted earnings per share, DKK	7.6	3.8	4.7	10.3	3.9

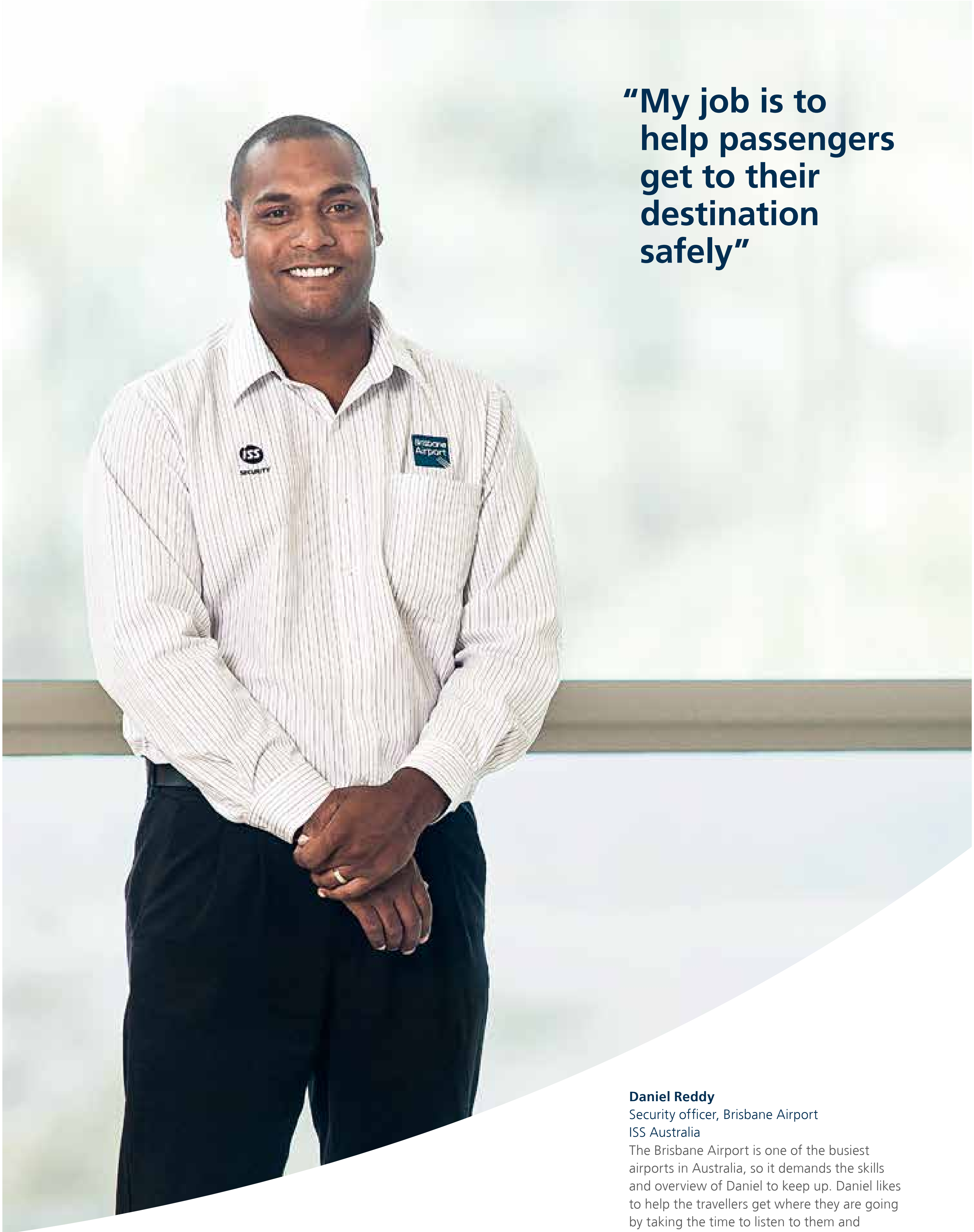
Note: See page 169 for definitions.

[1] Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[2] The Group uses Operating profit before other items for the calculations instead of Operating profit. Consequently, the Group excludes from the calculations those items recorded under Other income and expenses, net, in which the Group includes income and expenses that it believes do not form part of the Group's normal ordinary operations, such as gains and losses arising from divestments, the winding up of operations, acquisition and integration costs, disposals of property and restructurings. Some of these items are recurring and some are non-recurring in nature.
[3] Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[4] Effective 1 January 2013, the Group implemented IAS 19 (2011) "Employee Benefits" with no material impact on the Group's consolidated financial statements, cf. note 1.1, Basis of preparation, of the consolidated financial statements. Comparative figures for 2012 and 2011 have been restated accordingly, corresponding to the comparative years of the consolidated financial statements.
[5] Previously, the effect of acquisitions and divestments was adjusted in the actual consolidated revenue for the current year. This was changed in 2013 so that the effect of acquisitions and divestments is now adjusted in the actual prior year's consolidated revenue, to have a more logical calculation methodology. The change has been implemented retroactively for the financial years 2008 – 2013. There was no significant impact on the reported organic growth figures as a result of the change.
[6] Calculated as total revenue growth less organic growth and less net acquisition/divestment growth. Currency adjustments thereby include the effect stemming from exclusion of currency effects from the calculation of organic growth and net acquisition/divestment growth.


"I try to be the friendliest security guard in the world"

Our performance

ISS HQ, The new office
The new building is open and light with very few walls. This incourages interaction across departments and functions and the break down of silos. It is a clever building – sustainability, collaboration and mobility are key in the design. It shows how a well-thought-through building and working environment can significantly reduce water and energy consumption.



"My job is to help passengers get to their destination safely"

Daniel Reddy
Security officer, Brisbane Airport
ISS Australia

The Brisbane Airport is one of the busiest airports in Australia, so it demands the skills and overview of Daniel to keep up. Daniel likes to help the travellers get where they are going by taking the time to listen to them and explaining.

Highlights of the year

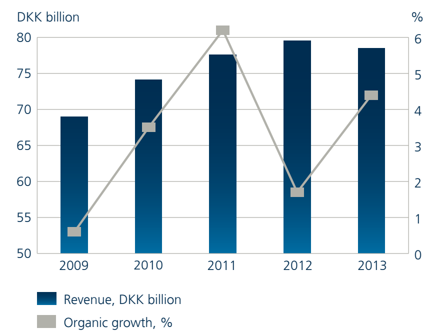
In 2013, we followed up on the large multinational contract wins of 2012 by winning IFS contracts with H.J. Heinz in Europe and Nordea Bank in the Nordic region. We were ranked best outsourcing provider in the world by the International Association of Outsourcing Professionals. Profitable organic growth remained a key priority and by successfully divesting certain non-core activities, we achieved a more focused business platform in line with our strategy. The divestment proceeds were used to repay a significant part of our debt.

Operating results and performance

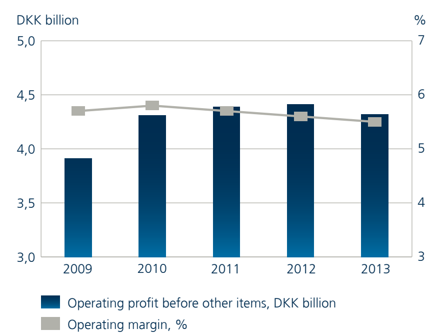
Group revenue decreased 1.3% to DKK 78.5 billion in 2013. Organic growth amounted to 4.3% which was more than offset by a negative effect from exchange rate movements of 3% and the negative impact from the successful divestment of non-core activities of 2%.

In 2013, we remained focused on generating profitable organic growth and ensuring a customer base with satisfactory payment conditions in a still-challenging macroeconomic environment. Organic growth increased to 4.3% and the start-up of the Barclays and Novartis contracts combined with continuing strong growth in emerging markets were the main drivers of increased organic growth. All regions, apart from the Pacific region, delivered positive organic growth rates. Western Europe, our largest region, delivered strong organic growth of 5% and Asia once again reported a double-digit performance. Partly offsetting the growth were the challenging market conditions, particularly in certain European countries, and generally weak demand for non-portfolio services.

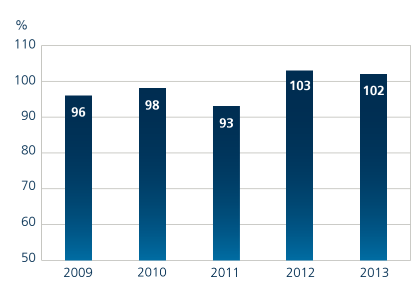
REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND OPERATING MARGIN



CASH CONVERSION



REVENUE AND GROWTH[1)]

	Revenue			Growth components, %				
DKK million	2013	2012	Growth	Organic	Acq.	Div.	Currency	Total
Western Europe	39,704	39,414	1 %	5	0	(3)	(1)	1
Nordic	16,853	17,736	(5)%	1	-	(3)	(3)	(5)
Asia	8,019	7,367	9 %	15	0	-	(6)	9
Pacific	5,105	6,007	(15)%	(1)	-	(4)	(10)	(15)
Latin America	3,708	3,820	(3)%	7	-	-	(10)	(3)
North America	3,459	3,539	(2)%	2	-	(1)	(3)	(2)
Eastern Europe	1,657	1,605	3 %	5	-	-	(2)	3
Other countries	38	36	4 %	18	-	-	(14)	4
Corporate / eliminations	(84)	(70)	(20)%	-	-	-	-	-
Group	**78,459**	**79,454**	**(1)%**	**4.3**	**0**	**(2)**	**(3)**	**(1)**
Emerging markets	17,732	16,833	5 %	11	0	-	(6)	5

1) See page 169 for definitions.

Operating profit before other items was down by 2% to DKK 4,315 million in 2013, negatively influenced by both divestments and currency effects. The impact from the divestment of the pest control activities in 12 countries reduced the operating profit before other items by approximately DKK 115 million and the operating margin by 0.1 percentage point compared with 2012. The effect of exchange rate movements reduced operating profit before other items by DKK 126 million compared with 2012. The operating margin was 5.5% for 2013 compared with 5.6% in 2012. Adjusted for the impact of the divested pest control activities the operating margin for 2013 was slightly improved compared with 2012. The operating margin was in line with expectations, supported by improved margins in the Nordic region and Latin America. However, this was offset by the strategic divestments of non-core activities as well as the start-up of multinational IFS contracts and the impact of operational challenges in certain countries in Europe and the Americas. A number of initiatives are in progress to address these challenges including a review of the customer base and implementation of structural changes. Corporate costs increased from DKK 404 million to DKK 534 million, as a result of a redistribution of procurement savings to countries and the strengthening of Corporate functions to support the execution of our strategy.

The net profit/(loss) for the year was a loss of DKK 397 million compared with a loss of DKK 450 million in 2012, positively impacted by a decrease in other income and expenses, net, and lower financial expenses, net, which were partly offset by higher non-cash expenses related to goodwill impairment.

We define emerging markets as comprising Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey. These markets, which account for more than half of our employees, delivered organic growth of 11% and 23% of Group revenue. In addition to significantly increasing the Group's organic growth, emerging markets delivered an operating margin of 6.3% in 2013 (2012: 5.8%). We aim to capitalise on the attractive market characteristics in emerging markets and continue to grow our footprint in these countries in a balanced and controlled manner.

Cash conversion for 2013 was 102% as a result of strong cash flow performance across the Group. Ensuring a strong cash performance continues to be a key priority, and the result reflects our efforts to ensure payment for work performed and to exit customer contracts with unsatisfactory payment conditions. These efforts led to a decrease in debtor days of more than one day compared with 2012.

At the end of 2013, ISS had more than 533,000 employees worldwide. The Group's headcount remained approximately at the same level as at year-end 2012, as the impact from organic growth was offset by 14 divestments made during the year.

OPERATING RESULTS

DKK million	Operating profit before other items 2013	2012	Change	Operating margin [1] 2013	2012	Change
Western Europe	2,388	2,407	(1)%	6.0 %	6.1 %	(0.1)%
Nordic	1,246	1,190	5 %	7.4 %	6.7 %	0.7 %
Asia	608	564	8 %	7.6 %	7.7 %	(0.1)%
Pacific	253	311	(19)%	5.0 %	5.2 %	(0.2)%
Latin America	145	91	59 %	3.9 %	2.4 %	1.5 %
North America	101	151	(33)%	2.9 %	4.3 %	(1.4)%
Eastern Europe	109	102	7 %	6.6 %	6.4 %	0.2 %
Other countries	(1)	(1)	-	(3.2)%	(3.0)%	(0.2)%
Corporate / eliminations	(534)	(404)	(32)%	(0.7)%	(0.5)%	(0.2)%
Group	**4,315**	**4,411**	**(2)%**	**5.5 %**	**5.6 %**	**(0.1)%**
Emerging markets	1,115	978	14 %	6.3 %	5.8 %	0.5 %

[1] See page 169 for definitions.

Strategy update

In May 2013, the International Association of Outsourcing Professionals (IAOP) announced that ISS is ranked number one on IAOP's list of the world's leading outsourcing providers – "The Global Outsourcing 100". The ranking shows that ISS is regarded as a global, professional and reliable outsourcing partner and is an important milestone in achieving our vision of becoming the world's greatest service organisation.

We progressed the implementation of our strategy and moved closer to realising our vision. We continued to align the organisation behind our value propositions and optimising delivery to selected customers by investing in leadership and segment capabilities and implementing standard procurement processes to extract synergies. We continued divesting activities that are non-core to the delivery of our promise. We are transitioning towards a more focused approach to customer segments, including certain industries as well as multinationals looking for a provider able to self-deliver multiple services globally. Emerging markets continued to support growth and margins and are becoming an ever bigger part of our global footprint.

Our strategic focus on delivering portfolio-based services led to sustained organic growth in the portfolio business. Historically, the portfolio business' share of total revenue has been 75% – 80% and during the period 2009 to 2013 our portfolio business' share of total revenue increased within this range.

Global Corporate Clients

In 2012, ISS won three new multinational IFS contracts with Barclays, Novartis and with Citi in the Asia and Pacific regions. These contracts are some of the largest in ISS's history and represent significant milestones for ISS in the efforts to confirm our position as a leading global facility services provider. At the end of 2013, all three contracts were fully operational in all key geographies.

In 2013, these wins were followed by the win of an IFS contract covering all of Europe with H.J. Heinz, an international food producer, and an IFS contract with Nordea Bank in the Nordic region. The new facility management partnership with H.J. Heinz, includes a five-year contract for a full IFS solution, including catering, cleaning, property, reception and security services to 15 food manufacturing and office locations in eight countries. The IFS contract with Nordea Bank covers 39 office buildings in the Nordic region and ISS provides facility management, property, cleaning, catering, security and support services as part of the contract. The revenue generated from Global Corporate Clients amounted to DKK 6.5 billion in 2013, an increase of more than 60% compared with 2012.

In addition to the new Global Corporate Clients contracts, several other important contract wins were secured in 2013, both involving new contracts and expanding the scope of existing contracts. Going forward, our Global Corporate Clients organisation will continue to focus on mobilising and starting-up the new contracts as well as on winning new contracts within selected customer segments where ISS can offer market-leading value propositions.

Divestments

The ongoing review of the strategic rationale and fit of business units under The ISS Way strategy has led to the identification of certain activities that are non-core to The ISS Way. In 2013, we divested the pest control activities in 12 countries, i.e. Australia, Austria, Belgium, Denmark, Germany, Italy, the Netherlands, New Zealand, Norway, Portugal, Spain and Switzerland for a total enterprise value of approximately DKK 2 billion. Other divestments included the Nordic damage control activities and minor activities within property services, cleaning services, security services and support services in the Nordic and Western Europe regions and the USA. The divestments reflect a more strategic focus in the countries involved, resulting in a more focused business platform.

In January and February 2014, we announced the sale of our landscaping activities in France, our commercial security business in Australia and New Zealand, our pest control activities in India and our security activities in Israel. These divestments in aggregate have an approximate annual revenue of DKK 3.2 billion of which approximately DKK 2.4 billion related to the completed divestments at 28 February 2014.

At 31 December 2013, six business units have been classified as held for sale, comprising net assets of DKK 0.9 billion including the four divestments made in January and February 2014 as described above. The divestments completed in 2013, resulted in a net gain of DKK 758 million recognised in Other income and expenses, net, an impairment loss related to goodwill of DKK 202 million and a DKK 21 million loss on customer contracts. In addition, classification of certain activities in the Western Europe and Pacific regions as held for sale during 2013 resulted in a loss of DKK 24 million recognised in Other income and expenses, net as well as a non-cash impairment loss on goodwill of DKK 283 million and DKK 12 million on customer contracts.

Including the divestments announced during 2014, to date, our strategic divestment programme is to a large extent complete. None the less, our strategy execution process will continue to identify non-core businesses which will result in further divestments going forward.

Financing

In April 2013, ISS refinanced its EUR 600 million Second Lien Facility and received strong support from lenders consenting to a three-year extension of the predominant part of the Group's senior debt to either December 2017 or April 2018. As part of the amendments, lenders approved the capacity to increase the revolving credit facility by an additional DKK 1.0 billion and implemented other amendments intended to increase both operational and refinancing flexibility around the use of potential future divestment proceeds as well as certain post-IPO flexibilities. The new tranches refinancing the EUR 600 million Second Lien Facility were split between two new senior tranches of EUR 330 million and USD 350 million, respectively.

The commitment to deleverage the Group continued in 2013. With the proceeds from divestment of activities together with the improved conditions to repay debt, ISS in 2013 completed two excess proceeds offers and conditional partial redemptions in an aggregate amount of EUR 325.2 million of its EUR 581.5 million 8.875% Senior Subordinated Notes due 2016. At the end of 2013, this leaves an aggregate principal amount of approximately EUR 256.3 million of Notes outstanding. With these two processes it has been possible for ISS to repay more than half of the most expensive part of the debt, in itself eliminating DKK 215 million in interest expenses on an annualised basis. Currently, ISS has no significant short-term financing maturities.

The two excess proceed offers and conditional partial redemptions of a total of EUR 325 million of the 8.875% Senior Subordinated Notes due 2016 in July and December 2013 together with the repayment of EUR 525 million 11% Senior Notes due 2014 in December 2012, respectively, resulted in significantly reduced interest expenses in 2013, which has been a supporting factor behind deleveraging. Finally, the underlying operational performance also contributed to the continued deleveraging.

In August 2013, the securitisation programme was extended by one year to September 2015. The size of the credit facility was kept unchanged, but the pricing of the programme was reduced by 25bps following the extension.

Following the announcement of the intended IPO, se below, ISS was upgraded by rating agencies who currently assign corporate ratings of BB/Positive Watch (S&P) and Ba3/Positive Review (Moodys) and assigned ratings of BB and Ba2/Positive review, respectively, to the senior credit facilities.

For further information, see the notes to the consolidated financial statements as well as the section below regarding financing subject to an IPO.

ISS intends to launch an IPO

ISS announced on 18 February 2014 its intention to launch an Initial Public Offering (IPO) of its shares and to list on NASDAQ OMX Copenhagen

The intended IPO is expected to consist primarily of an issue of new shares to raise proceeds of approximately DKK 8 billion. Proceeds from the IPO are proposed, together with amounts drawn under a new banking facilities agreement subject to the IPO, to repay existing credit facilities during the course of 2014.

Drawings can be made under the new facilities agreement, which was put in place on 18 February 2014, subject to satisfaction of certain conditions precedent, including that the offering of shares contemplated by way of the IPO has occurred or will occur concurrently with the first drawing under the new facilities. The new facility, with investment grade like terms, is in place with a smaller number of relationship banks and includes a more attractive and flexible interest margin depending on our leverage.

This Group Annual Report for 2013 including the financial statements has in line with previous years been prepared based on the rules applicable for Class-D companies and on rules for companies with listed debt instruments. Subject to completion of the IPO, the Annual Report for 2014 will be based on the rules applicable for companies with listed shares.

For further information regarding the proposed IPO, including effects from the proposed refinancing, incentive programmes and corporate governance changes, please refer to the offering circular for ISS A/S if and when such document is published.

Management changes

On 7 March 2013, ISS announced that Leif Östling, Deputy Chairman of the Board of Directors (the Board), had decided to resign from the Board. At the same time, ISS announced that Lord Allen of Kensington CBE and Thomas Berglund had been elected as new members of the Board. Furthermore, on 3 April 2013, ISS announced that Michel Combes had decided to resign from the Board.

On 31 May 2013, ISS announced that the majority owners of ISS, funds advised by affiliates of The Goldman Sachs Group, Inc. and funds advised by EQT Partners, had appointed new representatives, which meant that Steven Sher and Harry Klagsbrun were replaced by Andrew E. Wolff and Morten Hummelmose, respectively.

On 21 August 2013, ISS announced that Ole Andersen, Chairman of the Board, had decided to resign as chairman and leave the Board. Lord Allen was elected new chairman of the Board. Furthermore, ISS announced that Henrik Poulsen had been elected as new member of the Board.

On 20 March 2013, ISS announced two key appointments strengthening the Executive Group Management Board (the EGM). Henrik Andersen was appointed to the new

KEY EVENTS 2013

8 May

ISS named the world's best outsourcing service provider

2013 The Global Outsourcing 100® IAOP

The International Association of Outsourcing Professionals ranked ISS as #1 on its annual list of the world's best outsourcing service providers – The Global Outsourcing 100.

Commenting on the award, ISS Group CEO Jeff Gravenhorst said that he was very proud and deeply honoured that the IAOP had recognised ISS as the world's best outsourcing company, and that ISS sees the ranking as a vote of confidence in the global platform from which ISS integrates and self-delivers a complete set of facility services such as catering, cleaning, security, property and support services across the globe.

Jeff Gravenhorst also thanked the 533,544 employees around the world, saying that without their engagement, purpose and pride in serving ISS's customers, ISS would never have achieved this honourable title.

KEY EVENTS 2013

27 December

ISS explores new business segment in Brazil

The granting of consessions to private contractors to operate public airports has opened new opportunities for ISS in Brazil. ISS has started providing an IFS solution for the International Airport of São Paulo, whose more than 32 million passengers in 2012 make it one of the most important travel hubs in Latin America.

With more than 850 ISS employees involved in the 24/7 operation, this is the first project in this segment awarded to ISS in Brazil, opening new opportunities in a large and unexplored market in the country.

The second and third largest airports in Brazil are also being privatised. This is a huge opportunity for ISS Brazil in terms of the potential for expanding current contracts and for a future implementation of IFS.

position of Group Chief Operating Officer (COO) EMEA. Heine Dalsgaard was appointed Group Chief Financial Officer (CFO), replacing Henrik Andersen in August 2013. Furthermore, on 8 July 2013, ISS announced that it had further strengthened and expanded the EGM by appointing John Peri as Group Chief Operating Officer (COO) Americas & APAC. The appointments allow ISS to further align the organisation and focus even more on the markets in which ISS operates.

Subsequent events

On 8 January 2014, we announced the divestment of our commercial security business in Australia and New Zealand. The transaction is subject to the satisfaction of certain customary conditions and we expect the sale to be completed in the first quarter of 2014.

On 29 January 2014, we completed the divestment of the pest control activities in India.

On 3 February 2014, we announced the extension of the global IFS contract with HP until the end of 2018. This is one of the largest global facility services agreements in the industry, whereby we will continue to deliver IFS to more than 500 HP sites in 58 countries across five continents.

On 5 February 2014, we completed the divestment of the security activities in Israel.

On 18 February 2014, ISS announced that the Board of Directors (Board) had elected board member Thomas Berglund as Deputy Chairman of the Board.

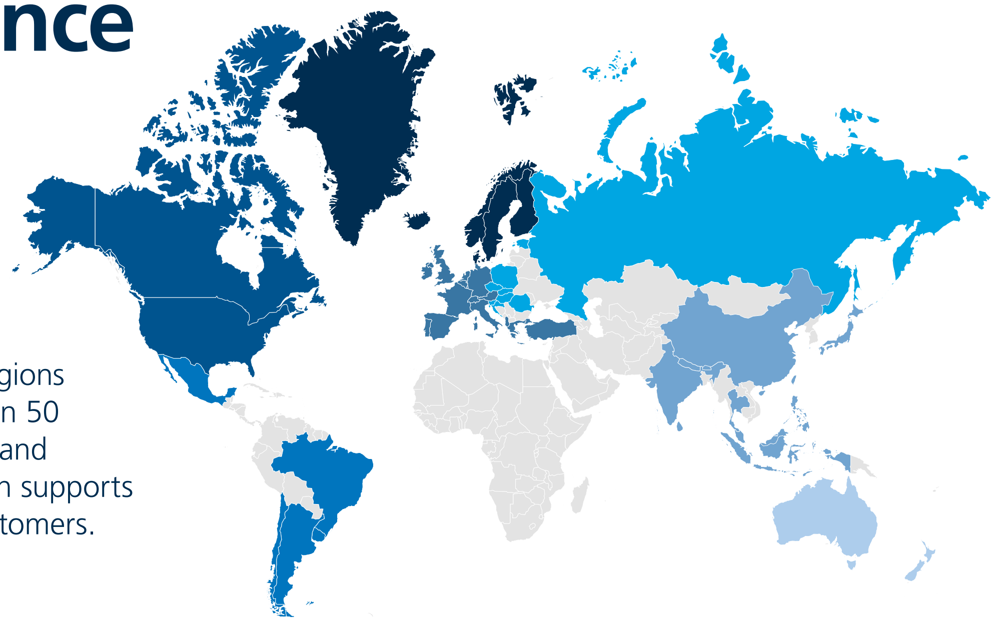
On 18 February 2014, ISS announced that it is contemplating an Initial Public Offering (IPO) of shares and to have its shares listed for trading on NASDAQ OMX Copenhagen. A detailed description of the IPO is provided on page 18 under "ISS intends to launch an IPO".

On 28 February 2014, we completed the divestment of our landscaping activities in France.

Apart from the above and the events described elsewhere in this Group Annual Report, we are not aware of events subsequent to 31 December 2013, which are expected to have a material impact on the Group's financial position.

Regional performance

ISS is all about service.
We aim to provide consistent service globally and across regions to our customers in more than 50 countries. We have a unique and leading market position which supports local, regional and global customers.



Our business characteristics and regional presence have changed considerably since 2006. We have transformed ISS from primarily being a European-based company to becoming a true global player with a leading market position. We are leveraging our global presence in order to meet the continuing growth in demand from multinational corporations for the delivery of integrated facility services (IFS) across borders. Our IFS revenue share has grown significantly and our ability to deliver IFS is a key to serving global customers and grasping new local market opportunities.

In 2013, we remained focused on generating profitable organic growth and securing payment for work performed. This led to strong organic growth in 2013 with all regions but the Pacific delivering positive organic growth rates. The operating margin of 5.5% (2012: 5.6%) was in line with expectations and favourably impacted by margin increases in the Nordic region and Latin America. Detracting from the performance were the strategic divestment of non-core activities as well as the start-up of multinational IFS contracts and the impact of operational challenges faced in certain countries in Europe and the Americas.

Our Global Corporate Clients organisation is a key driver of organic growth, especially in our European countries of operation, as demonstrated by the start-up of the Barclays and Novartis contracts. These contracts are some of the largest in ISS's history and they were supplemented by the win in 2013 of a new large IFS contract with H.J. Heinz in Europe. Global Corporate Clients also supported growth in our emerging markets, as illustrated by the start-up of Citi in the Asia and Pacific regions in 2013.

The "ISS world" consists of seven regions

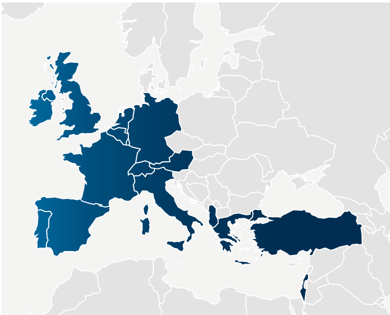
- Western Europe
- Nordic
- Asia
- Pacific
- Latin America
- North America
- Eastern Europe

Our seven regions generally follow the geographical structure, the exception being the Nordic region, which is presented separately from the Western Europe region. In order to highlight the growth and performance of emerging markets, we present certain information for these markets separately.

ISS operates in a number of countries which due to the insignificant amount of revenue we generate there are not included in this review. Those countries include, among others: Bahrain, Egypt, Nigeria, Pakistan, South Africa and United Arab Emirates.

We are well positioned in emerging markets, where we have more than half of our employees and generate 23% of our total revenue. Emerging markets represent a large growth potential as well as an opportunity to serve our many regional and global customers operating there. Going forward, emerging markets will continue to support our top-line growth and will be an ever-bigger part of our global footprint.

Western Europe



Revenue by country

United Kingdom	**23%**
France	**18%**
Spain	**11%**
Switzerland	**10%**
Netherlands	**6%**
Belgium & Luxembourg	**7%**
Turkey	**6%**
Germany	**5%**
Israel	**5%**
Austria	**4%**
Greece	**2%**
Italy	**1%**
Ireland	**1%**
Portugal	**1%**

% of total Western Europe revenue

205,738
Employees

38%
of Group employees

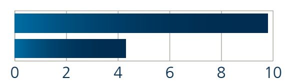
39,704 DKKm
Revenue

51%
of Group revenue

6.0%
Operating margin

5%
Organic growth

Integrated facility services



The markets of the Western Europe region are generally characterised as developed markets but with differences from country to country in terms of IFS market maturity and macroeconomic environment. Key segments for the region are Business Services & IT, Public Administration, Industry & Manufacturing, Healthcare as well as the Hotels, Leisure & Entertainment segment. 2013 was a milestone year for ISS in Western Europe, buoyed by the successful launch of two of the largest and most complex IFS contracts the FM world has ever seen: Barclays and Novartis. This illustrates both the demand for IFS solutions across countries within Western Europe and our ability to deliver in line with our value proposition and on our promise to our customers.

Going forward, we will increase our focus on IFS readiness as demand for this service type continues to grow, while at the same time working to enhance organic growth, improve win rates and retain key accounts. The ongoing analysis of the customer base and alignment of the business platform will continue in order to ensure high organic growth rates and sound profitability for the region.

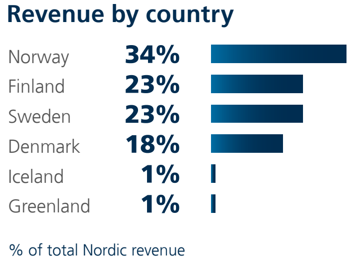
Revenue increased by 1% to DKK 39,704 million driven by organic growth of 5%. The successful divestment of non-core activities in 2012 and 2013 reduced revenue by 3% while currency adjustments in 2013 reduced revenue by 1%. Operating profit before other items decreased by 1% to DKK 2,388 million for an operating margin of 6.0%, down 0.1 percentage point from 2012.

Several countries delivered strong organic growth rates, with the United Kingdom, Switzerland and Turkey all in double digits and Germany, Austria and Portugal also contributing. A slight increase in non-portfolio services was seen compared with 2012, but demand for non-portfolio services remained at a relatively low level.

The operating margin for the region was supported by strong performance in the United Kingdom, Switzerland and Turkey. Margins came under pressure from challenging macroeconomic conditions and operational challenges in certain countries as well as from the start-up of the Barclays and Novartis contracts following initial investments. The divestment of the margin accretive washroom activities in the Netherlands, Belgium and Luxembourg in 2012 and the pest control activities in certain countries in 2013 also had an adverse impact on the margin compared with 2012. Lastly, the 2012 operating margin was positively impacted by a gain of DKK 92 million related to negative past service costs for defined benefit plans in Switzerland, while the 2013 operating margin was positively impacted by a one-off gain of DKK 64 million related to a settlement gain on defined benefit plans in the Netherlands.

Major contract wins, extensions and renewals included renewal of the large IFS contract with East Coast Mainline, increase and extension of the IFS contract with Telefonica and a large cleaning contract win with CO-operative Group Ltd. in the United Kingdom. Spain has extended and increased the catering contract with the healthcare State Administration in Valencia providing food for patients at 11 hospitals. Furthermore, France extended a large cleaning contract with Eurotunnel and Switzerland won a large IFS contract with PwC.

Nordic



40,343
Employees

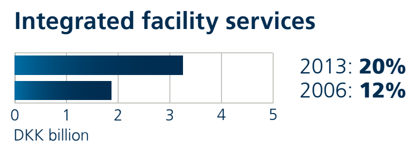
8%
of Group employees

16,853 DKKm
Revenue

21%
of Group revenue

7.4%
Operating margin

1%
Organic growth



The markets of the Nordic region are mature and developed and we hold a relatively large market share. The strategic focus remains to leverage the strong market position mainly through the implementation of best practices, utilising the footprint to develop solutions and concepts tailored to specific customer segments. The Nordic key customer segments are Business Services & IT, Industry & Manufacturing, Retail & Wholesale and Hotels, Leisure & Entertainment segments as well as country-specific segments.

The alignment and centralisation of processes and organisations in the region continued. In a thorough analysis of the customer base in certain countries in 2013, we reviewed the organisational structures as well as the capabilities and focus of the support functions. The primary result of the review is an adjusted business structure tailored to strengthen our focus on large site-based customers as well as achieving a lean and cost-efficient structure for serving small and mid-sized customers. Along with the new structure, strengthened capabilities for sales, development and operations of large customers will also be implemented. These initiatives will continue across the region in 2014.

In order to continue aligning our business platform with our strategy certain businesses were divested in 2013, including the Nordic damage control activities. Furthermore, we entered into a new partnership with Securitas regarding security services in Denmark.

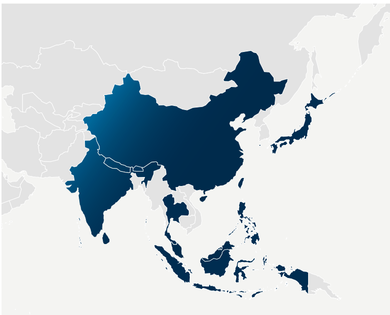
Revenue in 2013 was down by 5% to DKK 16,853 million. Organic growth amounted to 1%, while the divestment of non-core activities in 2012 and 2013 and currency adjustments each reduced revenue by 3%. Operating profit before other items was DKK 1,246 million, reflecting an operating margin of 7.4%, up by 0.7 percentage point from 2012.

The organic growth rate of 1% reflects a strong performance of 10% in Norway driven by increased sales to large IFS customers. This was offset by negative organic growth in Denmark, Finland and Sweden due to lower demand for non-portfolio services from a number of large customers and exit of certain contracts in 2012 and 2013.

The increase in the operating margin to 7.4% was the result of margin increases in Finland, Sweden and Denmark due to improvements in the operational performance across most service lines and strong customer focus. This was partly offset by a margin decrease in Norway mainly due to 2012 being positively impacted by one-off income related to the sale of certain assets.

Contract wins and extensions in the region included large IFS contract wins with Nordea Bank across the region and with the Danish Defence Command. Furthermore, we won local IFS contracts with the Maersk Group in Denmark and Skanska AB in Sweden and a catering contract with DNB, the largest financial services group in Norway. Additionally, we extended and expanded the IFS contract with Vattenfall, under which ISS now provides services to all nuclear power plants in Sweden.

Asia



Revenue by country

Hong Kong	**22%**
Singapore	**16%**
Indonesia	**16%**
India	**14%**
Thailand	**14%**
China	**9%**
Taiwan	**4%**
Philippines	**2%**
Malaysia	**1%**
Japan	**1%**
Brunei	**1%**

% of total Asia revenue

192,544
Employees

36%
of Group employees

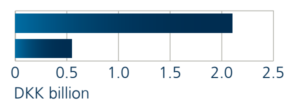
8,019 DKKm
Revenue

10%
of Group revenue

7.6%
Operating margin

15%
Organic growth

Integrated facility services



2013: **27%**
2006: **30%**

The Asia region consists of large and more established markets, such as Hong Kong and Singapore, as well as developing markets, such as China, India, Indonesia and the Philippines. The key segments for the region are Business Services & IT, Industry & Manufacturing and Retail & Wholesale. Our ambition is for the region to remain one of the Group's growth engines, maintain a high level of profitability, expand our self-delivery capabilities, and further sharpen our business platform as well as to continue improving the commercial planning and strategy towards our selected key customer segments.

Going forward, focus will be on service excellence within cleaning and on the transition from input-based contracts to true output-based contracts. Further efforts will be directed towards the continuous development of our IFS readiness, identifying improvement areas and developing skills to improve our delivery capabilities to local and global IFS customers. Investment in people and leadership development to further strengthen the local organisations is an important factor in managing current and future growth in a controlled manner.

In recognition of the recent achievements of ISS in the region, ISS was in 2013 named Facilities Management Company of the year in the Asia and Pacific regions at the annual Frost & Sullivan Best Practices Awards in Singapore.

Our Asia region once again delivered a strong performance in 2013. Revenue was DKK 8,019 million, an increase of 9%, driven by continued strong organic growth of 15% while currency adjustments reduced revenue by 6%. Operating profit before other items increased by 8% to DKK 608 million reflecting an operating margin of 7.6%, whereby Asia once again delivered the highest margin of any ISS region.

Several countries reported double-digit organic growth rates, with Indonesia as the largest nominal contributor in the region based on an organic growth rate of 25%, which was mainly driven by a strong, positive effect of contract wins in the fourth quarter of 2012 and higher minimum wages passed on to customers. India, Thailand, Hong Kong and China also continued the positive trends driven by strong retention of existing customers as well as a high rate of new sales.

The operating margin decreased slightly from 7.7% in 2012 to 7.6% in 2013, mainly due to the start-up of the Barclays and Citi contracts in the Asia and Pacific regions, which in the short term have influenced the margin negatively following initial investments. This was partly offset by strong operational performance in Thailand, Hong Kong and Singapore.

During 2013, ISS China extended and increased the cleaning and support service contract with Shenzhen Bao'an International Airport and ISS Hong Kong won a security contract with Discovery Bay.

Pacific

Revenue by country

Australia	**90%**
New Zealand	**10%**

% of total Pacific revenue

14,244
Employees

3%
of Group employees

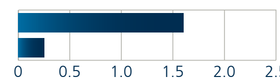
5,105 **DKKm**
Revenue

7%
of Group revenue

5.0%
Operating margin

-1%
Organic growth

Integrated facility services



2013: **27%**
2006: **8%**

ISS Australia delivers almost 90% of the revenue in the region. The strategic focus in Australia remains on further developing and refining the IFS value proposition to selected customer segments, including Public Administration, Energy & Resources (mainly the remote site resource segment), Healthcare and the Transportation & Infrastructure segments (mainly airports). This led to the successful retender of all the remote site contracts that were up for retender during 2013. Going forward, the focus will be on further developing the value proposition to the selected customer segments and the overall efficiency of the business in the Pacific region. ISS Australia has focused on implementing tools for improved control and increased operational efficiency. This includes implementation of a CRM-tool to enhance our sales efficiency.

In 2010, ISS Australia entered into a 28-year contract with Sydney's Royal North Shore hospital (RNS). This is a public private partnership contract won by a consortium in which ISS Australia is a major partner. Considering the length and complexity of the contract, the first few years of operating the contract have been challenging. We continue to build experience and knowledge of operating the contract which can support profitability improvements in future years.

In 2013, the pest control activities in Australia and New Zealand were divested and in the beginning of 2014, we divested the commercial security activities in the Pacific region. These divestments will result in a stronger and more aligned business platform for ISS in the Pacific region, as it will allow us to focus on our core activities.

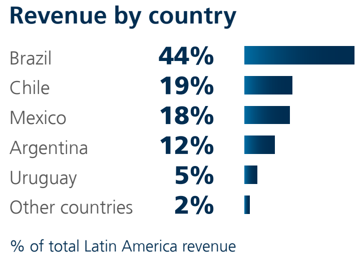
Revenue for the region decreased by 15% to DKK 5,105 million negatively impacted by currency adjustments of 10%, while revenue was further reduced by 4% from the successful divestment of the pest control activities in 2013 and with 1% stemming from negative organic growth. Operating profit before other items was DKK 253 million equal to an operating margin of 5.0%, which was 0.2 percentage point lower than in 2012.

Organic growth was negatively impacted by the loss of certain large security contracts and a reduction in services delivered on certain contracts in Australia. There has been a pick-up in new sales and in the fourth quarter of 2013 we achieved significant contract wins and extensions.

The 0.2 percentage point decrease in operating margin was mainly a result of the divestment of the margin-accretive pest control activities in 2013 as well as of weaker demand for non-portfolio services in Australia.

Contract wins and renewals in Australia included the win of a large IFS contract with the global resources company BHP Billiton, the renewal of the large security contract with Melbourne Airport and the security contract with Adelaide Airport as well as the renewal of the large IFS contract with Eastern Health Hospital.

Latin America



48,536
Employees

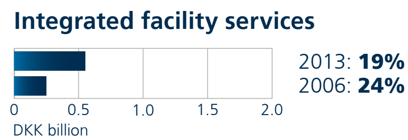
9%
of Group employees

3,708 DKKm
Revenue

5%
of Group revenue

3.9%
Operating margin

7%
Organic growth



We have built a unique position in Latin America with a strong geographical presence and a developed service offering. No one else in the market is capable of self-delivering a comparable number of services in the countries where ISS provide IFS. Focus is on selectively expanding the geographical platform as markets mature. Key segments within Latin America are Industry & Manufacturing and Business Services & IT. The region supports a number of our multinational IFS contracts and maintaining a presence in the region is an important means of targeting this customer segment.

Despite the systematic and customer-focused sales approach, 2013 was a year of recovery following the decision to exit certain less profitable contracts and restore the run-rate profitability from our contract portfolio following restructurings in certain countries in 2012. During the year, we continued to focus on strengthening the organisations and processes across the region to increase efficiency, predictability and transparency.

Going forward we remain focused on delivering profitable organic growth through an assessment of the customer base and our key selected customer segments. In addition, we will continue to focus on having the right organisational structures and management teams in place to support our aims.

Revenue was DKK 3,708 million in 2013 down 3% compared with 2012. Organic growth amounted to 7%, which was more than offset by a negative impact from currency adjustments of 10%. Operating profit before other items increased by 59% to DKK 145 million, reflecting an operating margin of 3.9%, which was 1.5 percentage point higher than in 2012.

All countries of the region reported positive organic growth rates driven by a continued high level of new sales and higher demand for project work, especially in Argentina and Chile. Brazil returned to positive organic growth following the steps taken to exit certain less profitable contracts in 2012.

The increase in operating margin was the result of improved margins in all countries of the region driven by our continued efforts to improve operational efficiencies, including amending or exiting certain customer contracts with unsatisfactory profitability conditions following the restructurings initiated in 2012.

Contract wins and extensions included large IFS contracts with Philip Morris in Argentina, ITAU in the banking segment, Claro in the telecommunications segment, the international airport in São Paulo, all three in Brazil, and Telefonica in Mexico.

North America

Revenue by country

USA	97%
Canada	3%

% of total North America revenue

14,324
Employees

3%
of Group employees

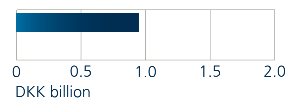
3,459 DKKm
Revenue

4%
of Group revenue

2.9%
Operating margin

2%
Organic growth

Integrated facility services



2013: **31%**
2006: **0%**

ISS has extensive geographical coverage in several parts of the USA experiencing economic growth and we continue to focus on enhancing our geographical footprint in specific metropolitan areas. Key segments are Business Services & IT, Public Administration and Transportation & Infrastructure. The continued focus on developing segments such as Aviation produced significant contract wins that contributed positively to the growth performance. Segmentation of the business will also be a future focus, our goal being to ensure that clear value propositions are developed and delivered by industry experts who truly understand individual customer needs and requirements.

Growth in 2013 was primarily driven by the multinational IFS contract with Barclays. We made considerable changes to the operating model of the Barclays contract in 2013, as instead of working with multiple subcontractors we now self-deliver a significant portion of the services. This together with additional transformations currently being made to the HP contract shows that the region has the ability to serve customers with a self-performing operating model that gives customers the benefit of a consistently high level of self-delivery, ensuring high compliance with HSE standards and risk processes at a competitive price. Through these contracts, we further developed the IFS business, which now accounts for 31% of our revenue in the region.

The synergies from building up an IFS platform have not yet been fully realised. A significant amount of work has been shared across the IFS back office function but there are still synergies to be achieved from ensuring that the platform is fully utilised across all our IFS contracts. However, the geographical size of the region represents a challenge, making synergies from IFS contracts more difficult to achieve.

Revenue was DKK 3,459 million, a decrease of 2% compared with 2012. Organic growth was 2%, while the adverse impact of currency adjustments and divestments reduced revenue by 3% and 1%, respectively. Operating profit before other items was DKK 101 million resulting in an operating margin of 2.9%, 1.4 percentage point lower than in 2012.

Organic growth of 2% was primarily driven by the start-up of the Barclays contract in September 2012, but with the termination of certain less profitable contracts and the loss of certain large contracts both detracting from the organic growth.

The decrease in operating margin was mainly due to the loss of certain large contracts combined with the initial investments related to the start-up of several new contracts. In addition, the margin was negatively impacted by steps to restructure the business in the eastern part of the USA. We have in 2013 strengthened the management team in the USA to ensure that the business continues to develop and that ISS becomes a competitive market player going into 2014.

In 2013, the USA won a large cleaning and facility management contract with Delta Airlines and now provides services for Delta in three major airports in the New York City Area. Finally, the USA strengthened their portfolio of Airport contracts by winning a cleaning contract with Phoenix Sky Harbor International Airport.

Eastern Europe

Revenue by country

Czech Republic	24%
Slovakia	14%
Poland	13%
Slovenia	12%
Hungary	9%
Romania	9%
Russia	9%
Estonia	8%
Croatia	1%

% of total Eastern Europe revenue

17,662
Employees

3%
of Group employees

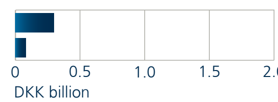
1,657DKKm
Revenue

2%
of Group revenue

6.6%
Operating margin

5%
Organic growth

Integrated facility services



2013: **26%**
2006: **8%**

ISS has established a wide geographical reach and a unique service platform in Eastern Europe with the capability to self-deliver a full range of services. The strategic goal is to provide services to multinational blue chip companies. The selected customer segments are Business Services & IT, Healthcare and Industry & Manufacturing, while the proportion of customers in the public sector has deliberately been reduced.

In 2013, we added two additional international IFS contracts in the region as we started up the Novartis contract in Slovenia and the Barclays contract in Lithuania. The skills and competencies required to manage such contracts are complex but through our continued focus on IFS readiness and on sharing knowledge and best practice in the region, we successfully started up and began to operate these contracts. We have thereby expanded our local service offering to a full IFS offering in these countries and thus both strengthening our regional capabilities and meeting our customers' requirements. Through these international contracts the countries in the region gain knowledge and experience, which can be deployed when targeting new customers as well as benefit existing customers.

The efforts to strengthen the management teams and leadership capabilities throughout the region as well as developing the sales organisations remained a priority in 2013. This included establishing joint country management teams in the region. In addition, focus remained on the implementation and utilisation of shared business development resources across the region in order to empower best practise operations resource sharing and drive regional solution sales.

Revenue increased by 3% to DKK 1,657 million in 2013, driven by organic growth of 5% while currency adjustments reduced revenue by 2%. Operating profit before other items increased to DKK 109 million, for an operating margin of 6.6%, which was 0.2 percentage point higher than in 2012.

Slovenia, Russia, Hungary and Slovakia all delivered strong organic growth rates. Organic growth in Slovenia was mainly driven by the start-up of the Novartis contract, while in Russia, Hungary and Slovakia growth was supported by higher new sales and greater demand for non-portfolio services.

The increase in operating margin was mainly a result of improved margins in the Czech Republic and Hungary deriving from the strong focus on operational efficiencies and cost savings. This was partly offset by a margin decrease in Slovenia that was mainly due to initial investments related to the Novartis contract.

Eastern Europe continued to progress with the sales strategy focused on providing well-proven value propositions to multinational blue chip companies in the region. This was illustrated by the win of a large contract with Telenor in Hungary.

Financial review

In 2013, we remained focused on driving profitable growth. In addition, in line with our strategy we successfully completed the divestment of certain non-core activities, which allowed us to repay a large part of our debt. This combined with our operational performance was a supporting factor in the deleveraging of ISS.

UNDERSTANDING THE FINANCIAL REVIEW

For increased clarity, the commentary in the Financial review has been structured in accordance with relevant themes to provide commentary to the sections in the consolidated financial statements. No comments are made to section 6 Governance as this is covered by the Remuneration report on pages 71-73. Furthermore, no comments are made to section 1 Basis of preparation and section 8 Other required disclosures as information included in these sections are immaterial.

Operating profit

The Group's revenue and operating profit before other items is reviewed in Highlights of the year on pages 15-20 and in Regional performance on pages 21-28.

The Net profit/(loss) improved from a loss of DKK 450 million in 2012 to a loss of DKK 397 million in 2013. The positive development in net loss was mainly impacted by lower financial expenses, net of DKK 450 million and a decrease in other income and expenses, net of DKK 208 million. Partly offsetting these positive developments was an increase in higher non-cash expenses related to goodwill impairment of DKK 600 million.

Of the total net losses in 2013 and 2012, expenses of DKK 284 million and DKK 436 million, respectively, resulted from fair value adjustments relating to the acquisition of ISS World Services A/S in May 2005. See Fair value adjustments in May 2005 on page 31.

Working capital and cash flows

Our continued focus on securing satisfactory payment for services performed and on exiting customer contracts with unsatisfactory payment conditions led to a decrease in debtor days of more than one day.

Trade receivables amounted to DKK 10,299 million (2012: DKK 11,433 million). The change compared to 2012 was mainly a result of the continued focus on reducing our working capital.

Changes in working capital was an inflow of DKK 80 million, which resulted in a cash conversion of 102% in 2013 compared with 103% in 2012.

Cash flow from operating activities

Cash inflow from operating activities was DKK 3,715 million in 2013 (2012: DKK 3,855 million). The decrease was primarily due to a DKK 162 million decrease in the cash inflow from operating profit before other items adjusted for depreciation and amortisation and a DKK 48 million increase in the cash outflow from income tax paid, which was partly offset by a DKK 145 million decrease in the cash outflow from changes in provisions, pensions and similar obligations.

Other expenses paid of DKK 388 million mainly related to restructuring projects initiated and expensed in 2012 and 2013 as well as onerous contracts and the build-up of IFS capabilities in North America.

Cash flow from investing activities

Cash flow from investing activities was a net cash inflow of DKK 1,331 million (2012: cash outflow of DKK 747 million). The cash inflow relating to acquisitions and divestments, net, amounting to DKK 2,169 million, was mainly due to the divestment of the pest control activities and the Nordic damage control activities. This was partly offset by investments in intangible assets and property, plant and equipment, net, of DKK 803 million (2012: DKK 762 million), which represented 1.0% of revenue and was in line with last year.

Cash flow from financing activities

Cash flow from financing activities was a net cash outflow of DKK 5,159 million (2012: DKK 3,643 million). The amount was mainly made up of DKK 7,983 million in repayments of borrowings and DKK 1,599 million in interest payments, net. This was partly offset by proceeds from borrowings of DKK 4,425 million. Repayment of borrowings was related to the refinancing of the Second Lien Facility and the Term Loan B and Acquisition Facility B facilities expiring in 2013, as well as the partial redemption (56%) of the 8.875% Senior Subordinated Notes due 2016. Proceeds from borrowings were mainly related to the two new senior tranches of EUR 330 million and USD 350 million, respectively, used to refinance the Second Lien Facilities as well as drawings on working capital facilities.

Strategic divestments and investments

Divestments and assets held for sale

The ongoing review of the strategic rationale and fit of business units led to the identification of certain activities that are non-core to our strategy. In 2013, we divested the pest control activities in 12 countries mainly in the Pacific and Western Europe regions for a total enterprise value of approximately DKK 2 billion. Other divestments included the Nordic damage control activities and other minor activities within property, cleaning, security and support services in the Nordic and Western Europe regions and the USA.

The proceeds from the divestments were used to repay a significant part of our debt, thereby contributing to the continued deleveraging of ISS, see net debt on page 32.

Our continued strategic focus led to six businesses being classified as held for sale at 31 December 2013, including four businesses in the Nordic and Western Europe regions, one activity in the Asia region as well as one in the Pacific region. At 31 December 2013, assets and liabilities held for sale amounted to DKK 1,950 million and DKK 1,016 million, respectively.

Divestments completed in 2013 and revaluation of net assets of businesses classified as held for sale resulted in a net gain of DKK 216 million, which comprises a gain of DKK 734 million recognised in Other income and expenses, net as well as impairment losses on goodwill and customer contracts of DKK 485 million and DKK 33 million, respectively.

Intangible assets, goodwill and goodwill impairment

Intangible assets at 31 December 2013 were DKK 28,346 million and comprise mainly goodwill, customer contracts and brands. The majority of these intangible assets related to the acquisition of ISS World Services A/S in May 2005, when a carrying amount of DKK 31,844 million of intangible assets, of which DKK 22,035 million related to goodwill, was recognised in ISS's statement of financial position. Furthermore, a significant number of acquisitions made over the years have added more intangible assets.

At 31 December 2013, goodwill was DKK 23,155 million, a decrease of DKK 2,686 million relative to 31 December 2012 which was mainly due to foreign exchange adjustments of DKK 1 billion, impairment losses of DKK 985 million and transfer of assets classified as held for sale of DKK 561 million. Of the total impairment losses, DKK 500 million derived from impairment tests in France and the Netherlands due to an update of the assumptions in the business plans in the two countries as well as an increase in the discount rate applied in the Netherlands and DKK 485 million derived from completed divestments and businesses classified as held for sale, mainly in Western Europe and the Pacific region.

Of the total goodwill impairment recognised in 2013, expenses of DKK 119 million (2012: DKK 176 million) resulted from fair value adjustments from the acquisition of ISS World Services A/S in May 2005. See Fair value adjustments in May 2005 on page 31.

Of the total amortisation and impairment of brands and customer contracts DKK 398 million (2012: DKK 319 million) resulted from fair value adjustments from the acquisition of ISS World Services A/S in May 2005. See Fair value adjustments in May 2005 on page 31.

Capital structure

Equity

Total equity amounted to DKK 4,246 million at the end of 2013 equivalent to an equity ratio of 8.7%. The DKK 861 million decrease in equity was primarily driven by negative currency adjustments relating to investments in foreign subsidiaries of DKK 796 million and the net loss for the year of DKK 397 million which were partly offset by actuarial gains of DKK 271 million, net of tax. The negative currency adjustments were mainly related to a depreciation of AUD, NOK and TRY against DKK.

ACQUISITION OF ISS WORLD SERVICES A/S IN MAY 2005

In May 2005, ISS World Services A/S was acquired for a purchase price of approximately DKK 22 billion. The acquisition resulted in a significant step-up of carrying amounts and thus has had a significant impact on the Group's statement of financial position as well as on the Group's results in the subsequent years. When comparing our financial statements to companies in our industry, this is a significant difference.

In accordance with IFRS the purchase price was allocated to identifiable assets, liabilities and contingent liabilities ("net assets") with the residual being recognised as goodwill. As the carrying amount of the net assets was approximately DKK 9 billion at the acquisition date, the purchase price allocation resulted in significantly higher carrying amounts for intangible assets, i.e. goodwill, brands and customer contracts. Furthermore, deferred tax liabilities increased primarily as a result of the increase in the value of customer contracts and brands. On the other hand, the fair value of non-current loans and borrowings was lower than the carrying amount due to a decrease in the market value of the Medium Term Notes following the announcement of the intended acquisition of ISS World Services A/S.

The aggregate fair value adjustments (i.e. change in carrying amounts) following the acquisition and such fair value adjustments remaining at 31 December 2013 are shown in the table to the right.

The purchase price allocation was performed at country level (ISS's relevant CGU level) as required by IFRS resulting in the net assets of each country being adjusted to fair value based on our best estimate at the acquisition date of each country's future performance (estimated NPV of the country). This allocation is binding and subsequent impairment tests must be performed at country level based on these higher values. As a result impairment tests have led to recognition of impairment losses in certain countries despite the fact that a test of the aggregate values at Group level would not have led to impairment. This illustrates the fact that negative developments in certain countries have been more than offset by positive developments in other countries. However, according to IFRS the evaluation must be done at country level and impairment losses in individual countries can not be offset against positive development in other countries.

DKK million	Fair value adjustments following acquisition in May 2005	Fair value adjustment remaining at 31 December 2013
Goodwill	6,443	4,330
Brands	1,657	1,590
Customer contracts	6,665	1,831
Other non-current and current assets	(156)	-
Pensions	(30)	-
Deferred tax liabilities	(2,960)	(866)
Non-current loans and borrowings	1,811	20
Non-controlling interests and other non-current and current liabilities	(299)	(1)
Total identifiable net assets including goodwill	**13,131**	**6,904**

The impact on the Group's results of the fair value adjustments made in May 2005 are presented below.

DKK million	2013 Actual	2013 Fair value adj.	2013 Actual excl. adj.	2012 Actual	2012 Fair value adj.	2012 Actual excl. adj.
Operating profit before other items	**4,315**	**-**	**4,315**	**4,411**	**-**	**4,411**
Other income and expenses, net	(100)	97	(197)	(308)	(24)	(284)
Operating profit	**4,215**	**97**	**4,118**	**4,103**	**(24)**	**4,127**
Share of result from equity-accounted investees	6	-	6	4	-	4
Financial income and financial expenses, net	(2,276)	(22)	(2,254)	(2,726)	(22)	(2,704)
Profit before tax and goodwill impairment/ amortisation and impairment of brands and customer contracts	**1,945**	**75**	**1,870**	**1,381**	**(46)**	**1,427**
Income taxes	(919)	5	(924)	(960)	5	(965)
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts	**1,026**	**80**	**946**	**421**	**(41)**	**462**
Goodwill impairment	(985)	(119)	(866)	(385)	(176)	(209)
Amortisation and impairment of brands and customer contracts	(667)	(398)	(269)	(679)	(319)	(360)
Income tax effect	229	153	76	193	100	93
Net profit/(loss) for the year	**(397)**	**(284)**	**(113)**	**(450)**	**(436)**	**(14)**

Net debt

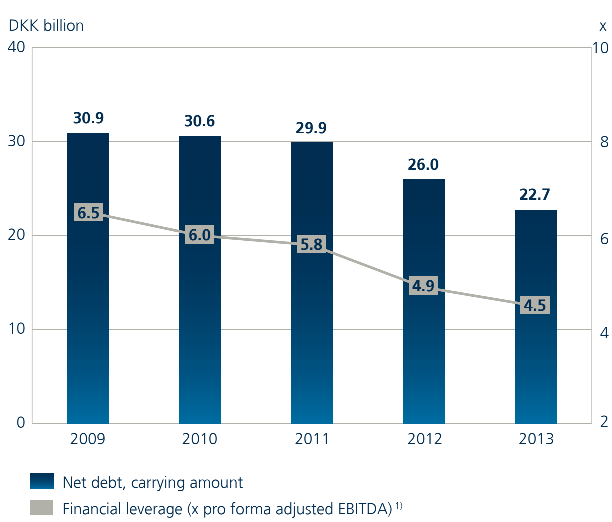
Net debt amounted to DKK 22,651 million, a decrease of DKK 3,304 million compared with 2012 which was mainly the result of the significant divestments in 2013. With the proceeds from the divestment activities, ISS in 2013 completed two excess proceeds offers and conditional partial redemptions in an aggregate amount of EUR 325.2 million of our EUR 581.5 million 8.875% Senior Subordinated Notes due 2016. At the end of 2013, this left an aggregate principal amount of approximately EUR 256.3 million of Notes outstanding.

With these two processes, we have addressed 56% of the most expensive part of our debt, in itself eliminating DKK 215 million in interest expenses on an annualised basis. This and the underlying operational performance have been a supporting factor in the deleveraging of ISS.

Financial income and expenses, net

Financial income and expenses, net decreased by DKK 450 million or 17% to a net expense of 2,276 million. The decrease was mainly the result of a DKK 443 million reduction in interest expenses, net following the redemption in December 2012 of the 11% Senior Notes due 2014 and the EUR 232 million partial redemption in July 2013 of 8.875% Senior Subordinated Notes due 2016. Furthermore, the lower average net debt reduced financial expenses compared with 2012.

FINANCIAL LEVERAGE



1) Pro forma adjusted EBITDA is calculated as Adjusted EBITDA adjusted to reflect as if all acquisitions and divestments had occurred on 1 January of the respective year. At 31 December 2013, the Pro forma adjusted EBITDA was estimated at approximately DKK 4,979 million (2012: DKK 5,253 million)

In 2013, financial income and expenses, net, mainly comprised DKK 1,760 million of net interest expenses, DKK 262 million in net loss on foreign exchange and unamortised financing fees and call premiums of DKK 141 million being expensed as a consequence of the refinancing of the EUR 600 million Second Lien Facility and partial redemption of the 8.875% Senior Subordinated Notes.

Tax

Effective tax rate

The effective tax rate for 2013 was 47.3% compared with 69.5% in the same period of 2012, calculated as Income taxes of DKK 919 million divided by the Profit before tax and goodwill impairment / amortisation and impairment of brands and customer contracts of DKK 1,945 million. The rules concerning limitation on the deductibility of financial expenses in Denmark, France and Brazil impacted the 2013 tax expense adversely by approximately DKK 196 million. The limitation is significantly impacted by non-deductible costs relating to the 2013 refinancing. The effective tax rate amounted to 39.0% when adjusted for the impact of the Danish limitation on deductibility of financial expenses. Further, a valuation allowance on deferred tax assets in France and the USA following an update of the assumptions in the business plans had an adverse impact on the effective tax rate. Adjusted for this, the effective tax rate was 30.2%

“I’m not just feeding the employees, I make sure they have the energy to keep going”

Derya Ece
Waitress, Schneider Electric
ISS Turkey

Derya is part of the big ISS team delivering IFS services at Schneider Electric in Kocaeli, Turkey. As a waitress she is in contact with many people every day and she likes to talk to them and hear how their day is going. It’s all about treating people with care and respect.

Our business

ISS HQ, The reception
At the heart of the new ISS headquarters you find the unique reception area with a spectacular desk designed especially for ISS. The reception functions as a one-of-a-kind support centre from where the skilled reception staff welcome employees and guests to the building, coordinate meeting rooms and internal service and handle all kinds of requests and questions.

Strategy – The ISS Way

Looking back, we achieved significant progress in realising our vision in 2013. We have identified five key value-driving themes which capture the essence of The ISS Way and which will act as our strategic compass in connection with our implementation efforts going forward. In line with The ISS Way, they are all about focusing our efforts on what will have greatest positive impact on the delivery of our value proposition and thereby our own value creation.

Our vision

"We are going to be the world's greatest service organisation"

This is an ambitious goal, not least when you consider that we are a team of 533,544 individuals, with millions of customer interactions every day. To get there we will self-deliver a consistent and excellent service performance, as defined in our value proposition, enabling our customers to focus 100% on their core business.

Our vision gives us a clear sense of purpose and promotes pride in the role we play, individually and as an organisation, and inspires us to drive the accelerated implementation of our five strategic themes described below under The ISS Way. It is the responsibility of our leaders to transfer the vision into a shared ambition among all our employees so as to make the difference between good and great every day on every site.

How will we know when we have reached our vision? When our customers as well as our employees have become loyal ambassadors and active promoters of the ISS brand and the services we deliver. We measure this through our globally applied employee and customer net promoter score methodology.

The following sections outline our overall strategic direction and the strategy we are pursuing to fulfil our vision. However, before we move to the details of the strategy, we will outline some key elements of the market in which we play an active role.

Our marketplace

The market for facility services has an estimated value of ~USD 1 trillion (outsourced market).

The market includes services such as cleaning, catering, property maintenance and security. Services are delivered on a recurring basis such as daily cleaning of facilities or the running of an in-house canteen. Services can be delivered as single services, multi-services and/or integrated facility services (IFS). Furthermore, the services can be offered to customers as a self-delivered service or as a managed service, which means the service is managed by one party (the facilities management firm) on behalf of the customer and delivered by other parties (sub-contractors). In addition to recurring business, services can also be delivered on an ad-hoc basis such as hospitality events. These so-called once-only jobs are typically delivered as single-services directly on order from the end-user and are often provided by existing service providers. In our case, approximately 80 percent of our revenue is based on recurring business (portfolio business) while the balance comes from once-only jobs (non-portfolio business).

The contractual relationship with the customer is either "input-based" or "output-based". Generally speaking, the former involves committing an agreed number of full-time employees to the delivery of the given service at a set cost plus a margin to the provider while the latter (also known as a "performance contract") involves establishing together with the customer specifications for the result (the "output") of our service delivery, e.g. a certain measurable level of cleanliness. Traditionally, the market has been dominated by input-based contracts while output-based contracts are gaining ground.

There is also a geographical aspect to the market. Some markets are mature and have shown themselves to be receptive to new developments, e.g. output-based contracts and IFS, not least the markets in Europe, while the emerging markets are growing quickly from a base dominated by the more traditional input-based contract structure. There are also differences within the overall market types (mature and emerging). In the markets of northern Europe, IFS is a known quantity where a material part of the market is already receptive to service bundling and integration while in the southern European markets service integration is at a more nascent stage.

In other words, there are many different ways to address this market and it has many different aspects to consider. We therefore see it as paramount that our strategy clearly defines which part of the market we are targeting.

Our market focus

Our market choices have naturally focused on identifying the market segments where our value proposition resonates and that have the greatest potential to contribute to the value we want to generate for our stakeholders. In this vast and diverse market, ISS has chosen to focus on large and medium-sized Business-to-Business customers such as banks, hospitals, the food manufacturing industry or remote sites where the need for our services makes a difference to their business as a strategic partner helping to fulfil their objectives. We provide these customers with a value added offering which, in addition to a cost-efficient solution, delivers among other things risk management and a sustainable and transparent solution.

Our focus is on the self-delivery of on-site facilities services within cleaning, property services and catering, globally and locally. We deliver these offerings as single service, multi-services or IFS. We further provide other support services, security and facilities management principally as part of IFS contracts but also as single services. Our core services share a number of traits. They are site-based, asset-light, personnel-intensive, suitable for self-delivery and integration with the other services we provide. We also provide mainly services, which are delivered on a recurring basis and thus give us greater top-line transparency. Our intention is that non-portfolio ("once-only") jobs will principally be provided to our existing customers as an integral part of our overall offering.

How do we meet the customer's needs?

Basically, our job is to take over on-site facility services that are non-core for our customers. Hence, we ensure that facilities are clean, that users are courteously greeted and guided, that facilities have a consistently comfortable temperature and are properly maintained, that users can get a coffee or a meal, that access is monitored and controlled and that the delivery of all this is orchestrated in an efficient manner. In some cases, we provide only one service, and in some cases we provide many services. In this way, we meet the basic needs of the customer by providing a service vital to ensure the proper and orderly operation of their facility.

However, the actual delivery of the service is only part of the value we contribute. The elements of our value proposition actually assist customers in living up to their specific purposes and priorities, e.g. when:

- a **customer** in the oil and gas industry requires us to deliver reliable and consistent health and safety compliance given the hazardous environments in which they work;
- a **hospital** demands our reliable delivery of specific and measured levels of hygiene to minimise the risk of cross-infection and with the overall purpose of healing patients; or
- a **slaughterhouse** needs us to help them meet certain regulatory requirements for cleanliness levels and to minimise the risk of infections or food poisoning and overall purpose of ensuring quality and avoid product recalls.

THE ISS VALUE PROPOSITION IN A NUTSHELL

Our self-delivery model is a fundamental component to successfully delivering our value proposition to the customer. Without our own frontliners where we can establish a common corporate culture, brand, values, processes and procedures (to name but a few) we would not be able to lead the way in service performance that facilitates our customers' purposes. Our self-delivery model allows us to address core customer needs such as risk transfer, brand protection, flexible delivery and integration of services. Caring as if the customer's business were our own is at the heart of each empowered ISS individual who makes a difference in facilitating our customers' purpose. Ultimately, it is about unleashing the potential of "The Power of the Human Touch" which is our lever in becoming the world's greatest service organisation.

Self-delivery allows us to provide the customer with a transparent and sustainable solution as we can impact the cost of delivery through the implementation of our best practices, processes and service integration. With our own frontliners, we are also able to share site-level information with customers to facilitate strategic and operational decision-making by the customer with respect to the optimisation of their facility portfolio.

What does this imply for our strategic direction?

To continue to deliver – and refine – this value proposition, requires that we continue the implementation of our strategy. We are aligning the organisation behind our value proposition by investing in leadership and supplementing service and segment capabilities (excellence) where necessary. We are divesting businesses that are not core to the delivery of our promise. We are transitioning our

THE ISS WAY – THE FIVE STRATEGIC THEMES

1. Empowering people through great leadership

Leadership is our key strategy enabler. Great leaders extract the value embedded in The ISS Way by establishing a sense of purpose and driving alignment. Through effective communication, our leaders empower people, motivate the organisation and attract new talent. We will continue to invest in leadership through development programmes – at many levels of our organisation – and in the implementation of our Leadership Principles.

We have established a number of measures to follow the development of leadership at ISS. We have a globally aligned measure of customer and employee satisfaction (the "net promoter score" methodology) as well as a leadership survey measure. There is a direct correlation between these scores and the financial and operational measures we follow – strong leadership and employee engagement translates into strong financial performance.

2. Transforming our customer base

We must make conscious choices with respect to our customer focus to deliver a unique and compelling value proposition. Making choices also means making trade-offs. Implementation of The ISS Way will continue to drive the transformation of our customer base towards customers who are more likely to appreciate the benefits of our offering and with whom our value proposition resonates. We must match our value proposition with our customer base.

3. Fit for purpose organisation

Transforming our customer base will require organisational changes. Over time, we will migrate from a service-based to a customer-based organisation model. Ensuring a customer-oriented, lean and effective organisation is at the heart of The ISS Way. By extracting synergies, sharing best practises, enabling the deployment of excellence and balancing group standardisation with local adaption, we can optimise the delivery of our value proposition. Furthermore, ensuring that the organisation mirrors our choices on the customer base facilitates our commercial strategy and allows us to continue to right-size the organisation and optimise above unit costs (overhead).

commercial focus towards a more specific approach to customer segments where our value proposition clearly resonates. We are also looking to align our business behind optimising delivery to our chosen customers. We are working to ensure that the organisation is IFS ready, as this delivery type continues to grow apace as customer demand continues to evolve. We furthermore seek to extract synergies such as through implementing standard procurement processes.

Our characteristics will change as a consequence of our strategy and as we continue on our journey of strategy implementation. Our customer segment mix will evolve and our IFS activities will grow as a percentage of Group revenue. Emerging markets will also be accretive to our top-line growth and be an ever-bigger part of our global footprint.

The ISS Way

We are on the right path. We have the right strategy. We continue to implement this strategy. We just want to do it quicker. Going forward we have therefore identified five strategic themes which we will focus on and which will move us closer to realising our vision. These are: 1) Empowering people through great leadership; 2) Transforming our customer base; 3) Ensuring a fit for purpose organisation; 4) IFS readiness; and 5) Striving for excellence – please see below for elaboration.

The past years have been an exciting period for ISS – not least in terms of our transformation into a global provider of facility services. The continued implementation of The ISS Way – in the form of the five strategic priorities – will take us to the next level of service performance to the benefit of all our stakeholders.

4. Ready to deliver IFS

Our IFS revenue has almost trippled since 2006. Our ability to self-deliver the services needed to run a facility as a "one-stop shop" for customers locally, regionally and globally, is at the core of our differentiated value proposition. IFS readiness is therefore key to serving global customers and grasping new local market opportunities. To this end, we have established a number of IFS Centres of Excellence globally. These centres are used as showcases to demonstrate to customers and ISS managers, the benefits and workings of IFS.

5. Striving for excellence

To become the world's greatest service organisation, we must identify and implement relevant excellence initiatives per site in an aligned and standardised way. To achieve this, excellence must permeate the entire organisation from procurement to frontline training. It is not about implementing everything – it is about identifying, prioritising and driving the excellence initiatives that generate the most value.

An example is our efforts in procurement where we have established a central global procurement team which has mapped our major spend categories. Extracting procurement benefits on these major categories is well under way and a substantial further savings potential is being pursued.

KPIs – Measuring our performance

Achieving our vision of becoming the world's greatest service organisation is an ambitious goal. To ensure that we are moving in the right direction and progressing in terms of our five strategic themes, we measure our performance using a wide range of financial and non-financial KPIs.

At ISS, we have a long history of measuring our financial performance at all levels of the organisation – from Group level and all the way down to the individual contracts. We measure our financial performance throughout the Group mainly in terms of our three primary financial KPIs: 1) organic growth; 2) operating margin; and 3) cash conversion. These KPIs are well-established and integrated in bonus plans throughout the organisation to ensure that objectives are aligned at all levels of the organisation.

In addition to our three primary financial KPIs, we measure a number of non-financial KPIs at various levels of the organisation. In recent years, we have worked on implementing balanced scorecard reporting and on defining which KPIs, financial and non-financial, could be relevant for measuring and reporting on a regular basis. As we continue our strategy implementation and progress on our five strategic themes, we also continue to implement additional relevant KPIs.

The following are examples of the most significant financial and non-financial KPIs at Group level that we measure and report on a regular basis. The list is not exhaustive, as we measure a number of other KPIs at Group level as well as at other levels of the organisation.

Most of the KPIs are relevant for all five strategic themes. The descriptions set out below refer only to the theme(s) that are the most relevant for each KPI.

FINANCIAL KPIs	DESCRIPTION OF MEASURE	REFERENCE TO STRATEGIC THEME
Organic growth	Measures our ability to grow our business organically by increasing sales to existing and new customers.	Transforming our customer base Ready to deliver IFS
Operating margin	Measures our ability to improve operational performance by managing costs and working more efficiently.	Transforming our customer base Fit for purpose organisation Ready to deliver IFS Striving for excellence
Cash conversion	Measures our ability to convert operating profit into cash. A strong cash conversion allows us to deleverage by repaying loans and borrowings.	Transforming our customer base Fit for purpose organisation Striving for excellence

NON-FINANCIAL KPIs	DESCRIPTION OF MEASURE	REFERENCE TO STRATEGIC THEME
Employee engagement	Measures the engagement of our employees on a scale from 1 to 5. The measure and the result of the survey for 2013 is described in "Our employees".	Empowering people through great leadership
Employee Net Promoter Score (E(NPS))	Measures the loyalty of our employees through a direct question of how likely the employee is to recommend ISS to others as a place to work.	Empowering people through great leadership
Lost working days	The estimated number of full-day equivalent working days lost due to workplace injury and/or work-related illness for people employed in the 12-month reference period.	Empowering people through great leadership
Customer Net Promoter Score (NPS)	Measures the loyalty of our customers through a direct question of how likely the customer is to recommend ISS to others as business partner.	Transforming our customer base Striving for excellence
Revenue by segment	Measures the revenue split between our identified customer segments.	Transforming our customer base
Revenue by service	Measures the revenue split between our services.	Transforming our customer base
Revenue by delivery	Measures the revenue split between our delivery types.	Transforming our customer base
Share of revenue self-delivered	Measures proportion of self-delivered revenue to total revenue.	Ready to deliver IFS Striving for excellence
Portfolio value including growth and loss rate	Measures the revenue value of our recurring business (i.e. once-only jobs are not included) based on current base of customer contracts as well as the portfolio growth and loss rate.	Transforming our customer base
Cost percentage benchmark	Measures the level of variable and fixed costs per country for benchmarking purposes.	Transforming our customer base Fit for purpose organisation
IFS share of revenue	Measures the relative share of IFS revenue to total revenue.	Ready to deliver IFS Striving for excellence

"I ensure a great shopping experience"

Zeng Suoshi
Security guard, Far East Department Store
ISS China

In the Far East Department Store in Wuxi City, China, Zeng helps guarantee the safety of the customers. He patrols the store and makes sure that everything is in order. When the customers experience a safe and great shopping trip, Zeng is happy.

Business development

Consistent with our strategy, we have developed our business substantially over the past decade. Our characteristics have changed – and they will continue to change as we continue on our journey of strategy implementation.

Since 2006, we have transformed ISS from being primarily a cleaning provider into a full facility services provider, while also significantly increasing revenue from integrated facility services (IFS) contracts, international contracts (through our Global Corporate Clients organisation) and emerging markets.

Our business model has transformed from a product-oriented to a customer-oriented approach focusing on developing leading value propositions to our chosen customer segments founded on our philosophy of self-delivery of excellence within each of our service offerings.

During 2013, we continued to make progress in developing our business. Focused on customer needs, we continued to leverage efficiencies and implement best practices globally in order to align the organisation behind our value proposition and the consistent delivery of excellence. We have, over the past decade, built global capabilities in the delivery of a well-defined set of services which are equally well-suited for delivery as a single service or as part of an IFS offering. The ISS Way is focused on leveraging this unique platform by the global implementation of best practices and standard processes. We promote a strong and uniform commercial culture and craft market-leading value propositions by customer segment. We are uniquely positioned to grasp the huge opportunities in our markets and we are putting our global footprint to work by meeting increased demand from multinational corporations for the delivery of IFS across borders.

The progress we have made and how the characteristics of our business have changed since 2006 is demonstrated by the following three measures:

- Revenue by customer segment
- Revenue by service delivery type
- Revenue by service type

Revenue by customer segment

Revenue is classified into ten customer segments identified by ISS, based on the section classification level of the International Standard Industrial Classification.

Our service concepts are tailored to address specific customer needs in order to provide added value offerings to our selected customers. This entails defining variations of our service offerings built on our fundamental competencies and presenting an integrated solution of services customised for a given segment. We focus on key accounts, large and medium-sized Business-to-Business customers where the need for our services makes a difference to their business as a strategic partner helping to fulfil their objectives. It is also within this segment that our value proposition resonates fully as these customers demand a value-added solution with characteristics such as risk management and brand protection. This segment already represents a majority of our revenues and we plan to continue building strategic relationships with our largest customers.

From an industry segment perspective, Business Services & IT, Industry & Manufacturing, Public Administration and Healthcare are our largest and most important customer segments, and our focus remains to develop service solutions for these segments. Not least Business Services & IT has grown as a result of our focus on this segment through our Global Corporate Clients organisation and regional and national sales force efforts. This focus produced several major contract wins, such as the multinational IFS contract with Barclays in 2012 and Nordea in 2013, increasing revenue in the Business Services & IT segment, which increased its share of revenue to 29% and thereby remained the largest customer segment in 2013.

KEY EVENTS 2013

4 November

Royal opening of the new ISS headquarters

ISS celebrated the opening of its new global head office together with clients, employees and special guests. The building was officially inaugurated by HRH The Crown Prince of Denmark.

The new global head office is designed to motivate people to break down silos and interact across departments and functions – a workplace showcasing what ISS stands for: world-class innovation, efficiency and flexibility.

Many prominent visitors stopped by at the inauguration to congratulate ISS on the new state-of-the-art headquarters. HRH The Crown Prince of Denmark was there to cut the ribbon. The official opening speeches were given by the Chairman of ISS, Lord Allen of Kensington CBE; ISS Group CEO, Jeff Gravenhorst; the Danish Minister for Employment, Mette Frederiksen; Head of Workplaces at Nordea Bank, Ove Hygum; and Mayor Karin Søjberg Holst.

The share of revenue from Industry & Manufacturing remained on a level with 2012 at 14% in 2013, while revenue from Public Administration decreased from 14% in 2012 to 13% in 2013. The slight decrease is a result of divestments, the impact from reduced public spend in several countries in Western Europe and the decision to exit public sector customers in certain regions. The revenue share from Healthcare was unchanged at 11%.

Revenue by service delivery type

Fundamentally, ISS's delivery model includes three different ways of delivering services to customers. Service solutions are offered either as single-services, multi-services or IFS.

In a single-service outsourcing, the customer buys one service solution from ISS, for example by outsourcing their catering services.

In a multi-service outsourcing, which consists of two or more services, but not a fully integrated solution, the customer achieves the same benefits as with single-service outsourcing, but with the additional benefits of service integration where possible.

In an IFS solution, ISS delivers two or more services under one contract with a single point of contact on-site, which allows us to integrate the facility service functions taken over by ISS at the customer's premises. The customer receives both the full potential of single-service outsourcing and the advantages of integrating services, including cost efficiencies and a more efficient and flexible service set-up.

Our strategy clearly focuses on IFS solutions to our selected customers. This has over the past decade led to significant growth in our IFS revenue, from approximately DKK 8 billion in 2006 to approximately DKK 21 billion in 2013. Our IFS solution revenue base has been fully organically grown through our Global Corporate Clients organisation as well as at country and regional level.

We will continue to ensure that our organisation is ready to deliver IFS, something that we have identified as one of the key focus areas of our strategy. Accordingly, we expect our IFS revenue to grow further as we continue our strategy implementation.

In 2013, IFS generated 26% of our revenue compared with 14% in 2006. Multi-services and single services generated 17% and 57%, respectively, compared with 15% and 71% in 2006. The increase in the share of revenue origin from delivering IFS or multi-services increased by 14 percentage points from 2006 to 2013 with a similar reduction in the share of revenue stemming from delivery of single services. This illustrates that we have continued to attract customers who see the benefits of our IFS offering, and have thus progressed in implementing our strategy.

The relative share of revenue origin from delivering multi-services or IFS solutions is increasing in all regions, with the largest increases seen in Western Europe (primarily in the United Kingdom, Switzerland, Germany, Spain and Turkey), North America and Asia, driven by the large multinational IFS contract wins in recent years but also by large local multi-service and IFS contracts. Multi-service and IFS contracts allow ISS to exploit synergies in the provision of services and create stronger customer relationships.

Revenue by service type

ISS offers a range of facility services within cleaning services, support services, catering services, security services and facility management. Our focus is to understand customer needs and provide the services required to meet them.

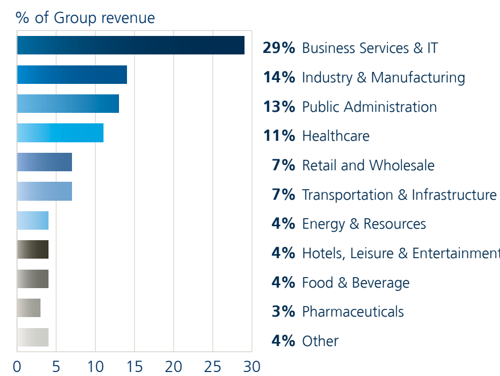
The transformation from primarily being a cleaning provider to becoming a full facility service provider is illustrated by our increasing volume of non-cleaning services and the fact that non-cleaning services now make up 51% of our business compared with 43% in 2006. Individually, all service types have grown in absolute terms.

Cleaning services have been at the heart of our operations for a very long time, and over the years we have developed a wide range of cleaning services – from providing basic general cleaning to highly specialised niche cleaning services. Our cleaning services offering encompasses a range of services within daily office and facility cleaning for commercial customers, industrial cleaning, cleaning in transport systems, dust control, washroom services and specialised cleaning, such as cleaning of nuclear plants, hospitals or food production facilities. Our cleaning service offering in many instances also serves as an entry point to supply additional services to customers.

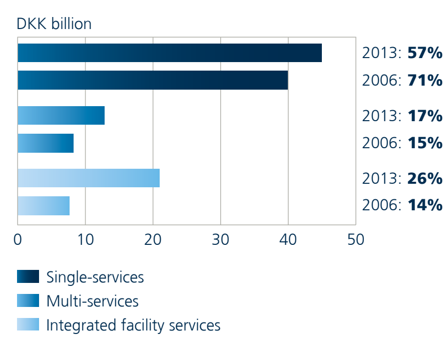
In 2013, cleaning services remained our largest business area with revenue of DKK 38.5 billion, representing 49% of Group revenue down from 57% (DKK 32.1 billion) in 2006. In line with our strategy to broaden the service platform, cleaning services' relative share of Group revenue has consistently declined in recent years, while the revenue share from support services, catering services and security services in particular has steadily increased. Since 2006, the cleaning services share of revenue has therefore continued to decrease partly as a result of the building of the service platform through acquisitions of services other than cleaning, especially in 2007-2009, and partly as a result of the subsequent utilisation of the existing service platform to grow organically since 2010. In the short term, we may, experience a slight increase in the cleaning services share of revenue as we continue to divest businesses that are non-core to our strategy.

Property services includes building maintenance, technical maintenance, landscaping and pest control.

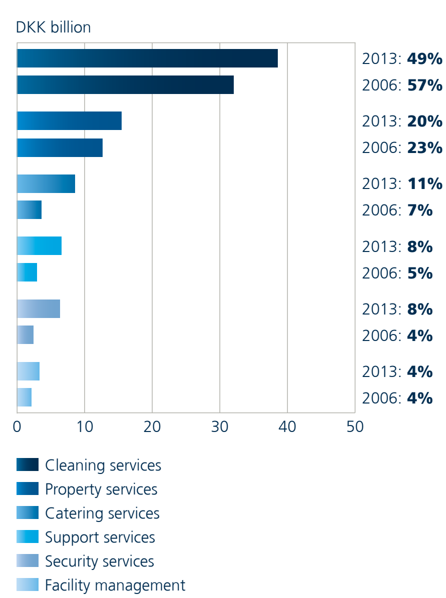
REVENUE BY CUSTOMER SEGMENT



REVENUE BY DELIVERY



REVENUE BY SERVICE



KEY EVENTS 2013

28 February

Red Cross and ISS in close cooperation

The Danish Red Cross has appointed ISS to provide a wide range of services in Denmark.

The Red Cross has more than 13 million volunteers in 186 countries and more than 20,000 volunteers in Denmark alone. ISS delivers a service solution to the Danish Red Cross, which comprising cleaning, technology, washrooms, indoor plant service, waste, snow removal, green care and window cleaning.

Price and quality were both crucial parametres for the Danish Red Cross in choosing a new service provider. It was also important to the Red Cross that ISS as a company emphasises corporate social responsibility. Since 2011, ISS has cooperated with the Danish Red Cross in organising an annual holiday camp for marginalised families.

In 2013, revenue from property services was DKK 15.3 billion, representing 20% of Group revenue, down from 23% (DKK 12.6 billion) in 2006. Property services revenue was adversely affected by a number of divestments completed in 2011, 2012 and 2013, including the pest control activities in 12 countries as well as the Nordic damage control activities in 2013. These divestments involved non-portfolio-based services and thereby underline the strategic focus on portfolio-based on-site services.

Catering services includes in-house restaurants, hospital canteens, catering services to remote sites, corporate catering and office catering services.

In 2013, revenue from catering services amounted to DKK 8.5 billion (2006: DKK 3.6 billion) equal to 11% of Group revenue, which is an increase of 4 percentage points from 2006 despite the divestment of the coffee vending business in Denmark and Norway in late 2011. In 2013, catering services continued to be positively impacted by cross-selling to existing customers combined with an increased level of catering services delivered under some of the large IFS contracts.

Support services includes the operation of receptions, internal mail handling, scanning, other office logistics, call centres, manpower supply and outplacement services.

In 2013, support services accounted for approximately 8% of Group revenue, up from 5% in 2006. In absolute figures, revenue increased from DKK 2.9 billion in 2006 to DKK 6.5 billion in 2013. In 2013, support services were favourably impacted by an increase in services provided to Global Corporate Clients customers and cross-selling of services mainly to cleaning customers, which was partly offset by lower demand for manpower supply services.

Security services includes manned guarding, access control and patrolling of customer facilities and the installation of alarm and access systems.

Revenue was DKK 6.3 billion, equivalent to 8% of Group revenue in 2013, an increase of 4 percentage points from 2006 (DKK 2.4 billion). The increase is mainly due to strategic acquisitions during the period, including the acquisition of the Indian company SDB Cisco Ltd. in 2010 which added approximately DKK 400 million in annual revenue. The growth in our security services mainly takes place in the emerging markets while in certain mature markets we see greater benefits in establishing strategic partnerships with large security service providers. This led to the divestments of security activities in Norway, the Netherlands and Denmark in 2012 and 2013, respectively.

Facility management includes on-site management of facility services, change management, space management and consulting. Revenue increased to DKK 3.3 billion in 2013 (2006: DKK 2.1 billion), equivalent to 4% of Group revenue, the same relative share as in 2006.

Corporate responsibility

We believe that long-term sustainable business success relies on a high level of Corporate Responsibility (CR), as economic, social and environmental issues are inevitably interconnected. Due to our long-held corporate values for quality, honesty and responsibility, our commitment to CR has evolved organically, and today it is an integral part of our corporate values and our strategy The ISS Way. In addition, credible and effective risk management of HSE and labour law management is a major part of the value proposition we offer.

As a global company with more than 533,000 employees serving both private and public sector customers in more than 50 countries, we influence the lives of many people every day through providing employment and training as well as safe and healthy work environments for millions of employees and customers in the facilities we service.

Our business is based on human capital. We need capable and engaged employees who are motivated and proud of working at ISS to ensure a positive customer experience. We believe, that having sound CR policies embedded in the way we conduct our business is the best way to motivate our key resource, our employees, and thereby to take care of our customers. If our employees feel safe, satisfied and engaged, our customers will experience the service we deliver in a more positive way.

Furthermore, CR is becoming increasingly important for our customers as they strive to improve their own business performance and make a positive impact on society.

The leading global companies require a consistent CR performance from their partners, which is increasingly becoming a key factor in winning and retaining contracts with most customers. It is therefore important for us to be able to demonstrate that we understand their CR goals and are capable of addressing them. Our systematic approach to CR, such as our Group Health, Safety and Environment management system, supports this ability and understanding and helps us in our efforts to become a preferred partner to our customers and the employer of choice in our industry.

We respect, support and promote human rights and are aligned with the ambitions stated in the United Nations Declaration of Human Rights and the Core Conventions of the International Labour Organisation. ISS has made a strong commitment as a signatory and supporter of the United Nations Global Compact since its inception in 1999. In line with membership regulations, we are committed to aligning our strategy and operations with the ten Global Compact principles on human rights, labour rights, environmental protection and anti-corruption.

Our approach to CR

We have adopted a principles-based approach to CR that contributes to sustainable development as defined by the international community. This approach effectively

COMPULSORY REPORTS

This CR chapter does not constitute ISS's full report on CR. The full CR Report as per section 99a of the Danish Financial Statements Act is available at www.responsibility.issworld.com/report2013 and in accordance with guidelines from the UN Global Compact to the signatory companies. The CR Report also serves as ISS's communication on progress in implementing the ten principles of the Global Compact.

integrates universally accepted principles into the way we conduct our business, forming a foundation that is embedded in our corporate values, our Code of Conduct and our strategy.

We have developed and rolled out across the Group a strategy for Health, Safety and Environment (HSE) and CR. This strategy supports the overall Group strategy and the HSE Vision "100":

1: We aim to be number 1 in our industry and recognised as an industry leader in the way we deliver Health, Safety and Environmental performance;
0: We operate with 0 fatalities at our workplaces; and
0: We incur 0 serious incidents and occupational injuries at our workplaces.

Our initiatives and actions

For the past four years we have built and implemented an operational framework to create a consistent approach to HSE across the Group. The objective is to achieve continuous improvements in quality and performance. The Group HSE manual, based on four international standards (OHSAS 18001, ISO 14001, ISO 22000 and ISO 9001), provides a systematic approach to HSE management across the Group. Our systematic approach supports the delivery of our services consistently across the world and thereby helps our customers reduce their risks.

To improve our overall HSE and CR performance, a Group HSE and CR action plan is issued each year. The plan is based on our current HSE and CR performance, and the stated targets and actions are reviewed and amended annually as deemed appropriate to meet our HSE Vision. Actions that countries were required to incorporate in their country action plans in 2013 were for instance:

- Individual Personal Safety Action Plan for management including KPIs (lagging and leading indicators).
- Establishment of an HSE Leadership Team comprising the country management team and the country's HSE responsible.

A part of the overall strategy for HSE and CR is to demonstrate our performance through measuring, monitoring and reporting. To support this goal, in 2011 we began to implement an HSE IT tool, a performance management system that enables us to monitor and document our HSE performance, compliance and risk management. The implementation continued in 2013, and the system has now been implemented in all regions of the Group. Our HSE system has two main purposes; first and very importantly raising the awareness for employees and stakeholders to ensure that HSE gets prioritised, and secondly improving the quality of our reporting globally. We believe that a systematic approach to reporting, investigating and developing corrective actions will improve our HSE culture. More importantly, it will also help to ensure that responsibility and ownership of HSE is transferred to operations, i.e. the individual ISS regions, countries and business units.

The primary purpose of gathering HSE and CR data is to manage HSE and CR risks by monitoring performance. The data will also be used to keep ISS management and external stakeholders informed of our performance and track progress towards the achievement of our HSE and CR commitments.

In order to stay on course and keep HSE in constant focus, we run an annual global campaign 'Me and You'. The campaign covers safety, health and the environment and emphasises that HSE is a common responsibility and that we all play an important role in HSE. Since the launch in 2010, the campaign has been repeated each year but with changing focus points reflecting the challenges currently faced within the three areas. In 2013, the safety campaign focused on working at heights, slips, trips and falls, driving safely and working alone. The health campaign focused on a healthy back, chemicals and personal protection equipment, while the environmental campaign focused on reducing energy, reducing waste and conserving water.

Environment is one area that we plan to focus on even more in the coming years. The main environmental impact from ISS's operations derives from our cleaning services and consists of the use of chemicals as well as water and energy consumption. We also emit CO_2 through the use of cars in our operations and travel activities.

There are three ways we can influence the extent of our impacts:

- Through conscious behaviour in terms of consumption at our own sites;
- Through the design of processes and the equipment we use at customer sites;
- Through the portfolio of services we offer to our customers.

We have developed the Green Cleaning Tool, a simple computer-based program to help our operations develop and offer our customers cleaning solutions that use less chemicals, less energy and less water. We are now able to govern our own impact on the environment in a more structured and systematic way with the implementation of the HSE manual, including the management and reporting system. In addition, many ISS operations are already certified to environmental standards such as ISO 14001.

In 2013, we also continued to roll out the ISS Green Offices Programme (GOP) bringing the number of participating countries to eight. The GOP is an office-based programme designed to reduce the environmental impact of our own ISS offices and daily work practices. By changing our behaviour, we can reduce our environmental footprint by using resources efficiently and disposing our waste responsibly.

Other CR initiatives

Our supply chain is part of our value proposition and to ensure that our suppliers, subcontractors and other providers are aligned with our commitment, we have developed and implemented the ISS Supplier Code of Conduct. It contains ISS's key principles and requirements to our suppliers, subcontractors and other providers with respect to responsible social, environmental and ethical practices.

All suppliers – and their sub-suppliers – must comply with this code and ISS expects all suppliers to communicate the obligations set out in the code and ensure compliance with the code throughout their organisations and supply chains.

We have also developed a supplier self-assessment questionnaire for our major suppliers dealing with issues such as our Code of Conduct, forced labour, non-discrimination, human rights and child labour. This is to ensure that we also include the supply chain in our CR scope. In 2013, we followed up on this process with an audit carried out at a supplier's factory in Ningbo, China.

Our performance and targets

Consistent with the ISS values, our highest priority is to protect our employees from injury. We will be steadfast in our commitment to make our workplaces free from hazards, and we will operate under the assumption that all injuries can be prevented and that injuries are unacceptable. Our goal will always be zero injuries and zero environmental incidents, and this must be clear to everyone in the organisation.

The following Group targets were established for 2013:

1. Fatalities
In accordance with the HSE Vision, our first priority is to prevent fatalities at our work places. Our Group target is zero.

2. Lost Time Injury Frequency (LTIF)
The Group target for 2013 was to reduce LTIF by 45% relative to our baseline figure to less than 7.

3. Lost Work Days (LWD)
The Group target for 2013 was a reduction of 35% per 1,000 exposure hours relative to the baseline figure in 2010.

4. Audits
To carry out audits on CR issues of at least 20% of the countries we operate in.

5. Employee engagement survey
Conduct an annual survey with the target of having given 400,000 of our employees in 50 countries an opportunity to respond to the questionnaire by the end of 2013.

Our performance in relation to the targets is summarised below.

Sadly, the 2013 reporting shows a number of fatalities associated with our operations: six people have died at our workplaces in 2013. As our HSE Vision is zero fatalities at our workplaces, the number of fatalities is not acceptable. To achieve our HSE Vision of zero fatalities, we are focusing our efforts on embedding HSE culture in our operations. As five of the fatalities were trafic-related, our focus for the global safety campaign in 2014 will be driving safely. We are also working on making safety a common responsibility. We will focus our efforts going forward on getting management at all levels to understand their roles and responsibilities in terms of safety. Our success depends

HSE PERFORMANCE

	Target	Performance			
	2013	2013	2012	2011	2010
Fatalities	Zero	6	7	7	5
Lost Time Injury Frequency (LTIF)	Less than 7	7	8	10	11
Lost Work Days (LWD), %	More than 35	34	17	0	-
Audits on CR (% af countries)	More than 20	28	30	25	-
Employee engagement survey	400,000	337,154	235,548	150,000	-

KEY EVENTS 2013

10 July

ISS delivers integrated facility services for H. J. Heinz in Europe

ISS and H. J. Heinz, one of the world's leading marketers of branded foods to retail and foodservice channels, entered into a new partnership covering the delivery and management of integrated facility services (IFS) throughout Heinz in Europe.

Building on almost 20 years of cooperation in the United Kingdom, the new five-year contract covers 15 food manufacturing and office locations in eight countries across Europe: the United Kingdom, Ireland, the Netherlands, Italy, Spain, Belgium, Poland and France.

ISS provides catering, cleaning, grounds maintenance, mechanical and electrical engineering maintenance, pest control, property services, reception services, security and waste management as part of the new contract.

on the full commitment of all levels of management starting at country management level and this is a vital requirement of our Group HSE manual.

Going forward

We believe that we have a solid foundation for both systematic risk management and reporting supported by management systems and IT tools. Going forward, our focus is on embedding hazard identification and risk management in our operations and continuing to improve our incident investigation performance. We will also further develop the value propositions for our customers by identifying the needs, providing solutions and outcomes based on our skills and experience in these areas.

Our employees

Our 533,544 employees worldwide represent ISS on a daily basis when they deliver our services and engage with our customers. Our customers are constantly evaluating the strength of the ISS brand based on their interactions with our people. When we are recognised as a great company it is because our employees are delivering a great service day in and day out, 365 days a year. This reinforces our firm belief that by engaging and empowering our employees we can ensure that our people choose to do the right thing and that they are great ambassadors of ISS no matter where they live or work.

The importance of great leadership

We place strong emphasis on leadership and the quality of the people that we appoint to leadership positions because that is the root of our people's engagement and what gives ISS the strength that differentiates us from the competition.

Ensuring the right leadership behaviour is a high priority for us as it enables us to continuously improve our services and to do so in a values-based way. Our approach to leadership is expressed in our Leadership Principles and in the way we have integrated them into how we select and develop our leaders. From the recruitment process to the annual appraisal our Leadership Principles is part of living the ISS culture.

As our greatest strategy enabler, leadership is the key focus of our Human Resources strategy around the world. We make this happen by focusing on five key initiatives:

1. Leadership development – Ensuring global and regional leadership development programmes are in place and adhere to our strategy and Leadership Principles.

2. Performance management – Ensuring each employee has a purpose for their role as well as objectives which are aligned with the overall purpose of the Group.

3. Talent management – Focusing on talent identification through the succession planning process and working with regions on development plans to prepare people for key roles.

4. Succession planning – Creating a continued focus on succession planning to mitigate risk and drive our strategy.

5. Engagement and pride – Using a global survey to measure employee engagement and alignment to the purpose of ISS.

Our Human Resource vision guides the HR agenda of ISS:

"It is our ambition that all leaders at every level of the organisation lives and breathes according to the ISS Leadership Principles – promoting teamwork and collaboration across borders and business – ensuring that each and every one of our more than 533,000 employees work towards our shared vision of being the greatest service organisation in the world".

Great leaders are able to connect the frontline employees to the senior executives, ensuring that the organisation as a whole understands its purpose and how it creates value to our customers. It is this alignment of purpose, which drives the empowerment of our frontline employees.

Leadership development and training

Communication and training are two key elements of developing leadership at ISS. To this end, we have invested heavily in leadership programmes at ISS since the launch of The ISS Way in 2008. We launched the Strategy and the

KEY EVENTS 2013

27 September

ISS superheroes swing into action

Three ISS team members in Rochester, Minnesota – Roger Corcoran, John Carroll and Kyle Smith – displayed their inner superheroes by bringing a little bit of magic to the halls of Mayo Eugenio Litta Children's Hospital and smiles to the faces of paediatric patients.

The crew gathered paediatric patients in front of the atriums on the third floor of the hospital for a surprise. A collective gasp of surprise came from the kids, their parents and their caregivers when Batman dropped into view, followed by other superheroes.

After a short game of tag on the windows, the three superheroes dropped out of view, only to arrive inside the atrium minutes later to meet with the cheering children and their parents.

Value Chain programme in 2010, which was mandatory for regional and country management and held at least once in every region. We continue to run the ISS Advantage senior manager induction programme, which is also focused on our strategy and the ISS value chain management tool.

More recent additions are the Leadership Mastery programme for top management and a number of programmes at supervisor level, which provide our employees with the essential understanding of the key elements of our strategy and give them tools relevant in their daily work. Ensuring that our leaders are equipped to communicate the strategy and engage the organisation is a key focus area for leadership development; and equally that they have the tools and skills necessary for financial and operational follow-up.

Fundamentally, all the programmes revolve around the same themes, although individually adjusted to match the target group. In Leadership Mastery – a comprehensive five-module programme for selected top leaders – the focus is on personal leadership development and behaviour, developing a team as well as securing a deep understanding of our strategy and facilitating a greater understanding of customers and employees.

For supervisors, the key messages and tools revolve around e.g. the overall strategic direction of the Group, our leadership fundamentals and "the Human Touch" concept, the purpose and application of the ISS Value Chain, key principles for designing a value proposition for the customer as well as financial management. Our supervisors are specifically in focus here. After all, they have the daily delivery responsibility to, and interaction with, our customers and frontline employees. It is essential that their conduct is consistent with the business fundamentals of The ISS Way and that they are able to instill these fundamentals in their teams. Furthermore, relatively high frontline employee turnover is a natural part of our business and therefore it is essential that we have continuity at supervisor level by investing in them and providing a clear career progression path.

Empowering our people

An organisation where all employees push towards the same objective and understand the role they play is powerful and as a result it is one of the strengths that we rely upon to be able to move quickly and respond to our customers' needs while operating in a consistent manner across the globe.

Empowering our people and enabling them to take responsibility for their roles and how they interact with our customers also drives a feeling of cohesion with the company. Having the feeling of being part of the company also makes it easier to engage in what we do and take pride in the difference we make to our customers.

Creating a sense of purpose is extremely important in this respect. To facilitate the process of employees defining and living their own purpose, we introduced "The Apple" concept in certain countries in 2011. The idea is for each employee to find their own "Apple" i.e. their contribution (and the contribution of their colleagues on site as a team) to the realisation of our customers' value propositions and the job satisfaction this provides. The apple concept is gaining momentum with various guides and award systems under development. It is expected to continue to contribute to creating a greater sense of purpose and thereby engagement at ISS – employee-by-employee and site-by-site.

Creating engagement and pride

Employee engagement is a key driver of the customer experience. Measuring and improving employee engagement is therefore a key focus area at ISS.

In 2011, we piloted a global Employee Engagement Survey (EES) and the scope of the survey has since been expanded year by year. In 2013, we invited more than 300,000 employees across all continents to participate in the engagement survey with close to 200,000 responding. Intentionally, we use the same questions globally to compare the results around the world. Based on the results of the survey, which showed an overall employee engagement of 4.3 (2012: 4.4) out of a possible 5, we know we have a high degree of engagement in the company, and we know what is important for our people in their work environment.

Engagement builds upon a sense of purpose and pride in our people and:

- a strong belief in ISS's goals and values;
- a willingness to "go the extra mile" for our customers;
- a strong desire to stay with ISS;
- employees who believe in ISS and in what they do; and
- managers who understand and lead our people as individuals.

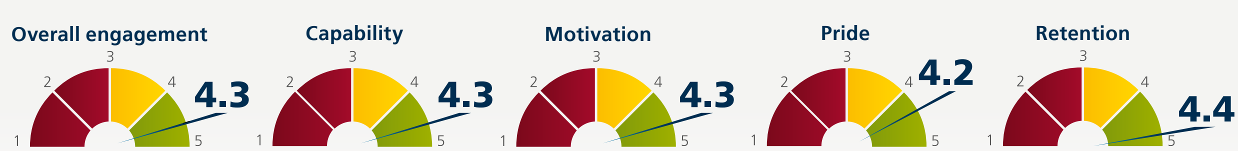
Besides measuring employee engagement in itself, we also measure four key drivers of employee engagement:

- Capability: "I feel able to do my job well"
- Motivation: "I am motivated to do my job well"
- Pride: "I feel proud to work for ISS"
- Retention: "I would like to continue working for ISS"

Knowing what lies behind the employee's engagement is critical in driving employee engagement. Through our survey, we are able to provide managers at all levels with specific information about their teams and their employees, allowing them to address the causes of low engagement and help make individual employees feel a higher sense of engagement. The five key priorities in our Human Resource strategy also provide support and focus for our managers and leaders.

We continuously work to improve our insights into what drives engagement in our employees and how we can become better at creating a sense of pride in the services each of us deliver, as well as the difference we make to our colleagues, to our customers, and to the society we live in. We will also work further on connecting employee engagement scores to our customer satisfaction scores as we strongly believe that the two are connected and that they are key drivers of financial and operational performance.

GLOBAL EMPLOYEE ENGAGEMENT SURVEY RESULTS



KEY EVENTS 2013

4 April

ISS Australia supports indigenous employment

ISS has developed a close relationship with the Australian Employment Covenant and GenerationOne since its inception in 2008, joining other employers to commit to a total of more than 60,000 jobs for Indigenous Australians.

ISS supports GenerationOne's campaign for demand-driven and employer-directed training. Since signing the first covenant, ISS has provided 550 employment opportunities to Indigenous Australians and plans to continue developing its successful initiatives.

The Australian Employment Covenant and GenerationOne have generated unprecedented corporate support in achieving their goals to fix welfare dependency and employment disparity in a single generation, and ISS has been a key contributor in this.

In March 2013, ISS signed a new covenant with GenerationOne to provide a further 650 employment opportunities and expects to achieve this by the first quarter of 2014.

Diversity

As one of the largest private employers in the world and with operations in more than 50 countries, we are committed to fostering, cultivating and preserving a culture of diversity and inclusion. With more than 533,000 employees, ISS embraces and encourages diversity in its broadest terms, including age, gender, ethnicity, nationality, culture, language, religion, physical ability, education and skills.

At ISS, we recognise that our diverse workforce gives us a key competitive advantage and we consider our employees to be our most valuable asset. Diversity makes ISS creative, productive and an attractive place to work.

We recognise the importance of promoting gender diversity at management levels. When making appointments to management level positions at ISS, we are committed to selecting the best person for the job based on qualifications, experience and competencies, while also considering other factors, such as diversity.

In order to promote, facilitate and increase the number of women in management level positions at ISS, we adopted a diversity policy in March 2013 defining a number of objectives to be pursued. This includes initiatives such as ensuring that female candidates are identified for vacant positions, developing succession plans aiming at identifying female successors as well as tabling the matter of women in leadership at ISS for discussion at least once a year at the EGM and the GMB level.

Employee and trade union relations

We want to ensure that our people take pride in what they do, the role they fulfil and the difference they make every day at our customer locations around the world.

Being among the first signatories to the UN Global Compact we are fully committeed to observing the basic human rights of all of our employees and to contribute to the improvement of employment conditions within the service industry. In line with this decision, we have a global agreement with Union Network International (UNI), and we support the social dialogue between management and employees through works councils and employee representatives.

In June 2013, we renewed this commitment by signing another agreement with the European Workers Council for the continuation of our relationship. We see these agreements as a basis for how we work together rather than as a limit to what we can do together.

Employee retention

The service industry generally has a high degree of employee turnover, as part of the industry is often considered suitable for short-term or secondary employment. To counter that we put a lot of effort into retaining our employees, e.g. our five key initiatives explained above all support our retention efforts, which are key to our strategy.

In 2013, our total workforce headcount remained stable despite a number of divestments being made. A total of 74% of our employees were full-time employees, which is a slight increase from last year. This is an important indicator, as generally full-time employees develop stronger ties with ISS. Employee seniority provides another perspective on employee loyalty towards ISS. In 2013, 68% of the Group's employees had been with ISS for more than one year, a slight decrease from 69% in 2012.

PEOPLE INDICATORS

	2013	2012	2011
Total employees	533,544	534,273	534,519
Full time employees	74%	73%	73%
Total employees > 1 year	68%	69%	66%

KEY EVENTS 2013

25 October

ISS named Facilities Management Company of the Year in the Asia and Pacific regions

ISS was named Facilities Management Company of the Year in the Asia and Pacific regions at the annual Frost & Sullivan Best Practices Awards in Singapore. The award was given to ISS in recognition of the success and strong growth ISS has achieved in the Asia and Pacific regions.

Over the past decade, ISS has successfully built a regional platform from which ISS integrates and self-delivers a complete set of facility services such as catering, cleaning, security, property and support services throughout these regions and across the globe.

The regional CEO for ISS Asia Pacific, Thomas Hinnerskov, sent his personal thanks to the 203,337 ISS employees in the two regions. Without their deep engagement and all the purpose and pride they put into their daily efforts for our customers, ISS would never have achieved this recognition.

Klaus Thirup-Nielsen
Service coordinator, Maersk
ISS Denmark

At the Danish shipping group Maersk's headquarters in Copenhagen, Denmark, Klaus and his team are making sure employees and visitors get the highest quality service. Klaus takes pride in creating a welcoming atmosphere in the company's offices, meeting rooms and reception.

"I'm on board to make sure everyone gets world-class service"

Risk management

We consider risk as an integrated part of doing business. Risk-taking provides opportunities, but it can also hinder the achievement of our goals. Risk management reduces risk and ensures that the risks we take on in respect of our customers and ourselves are calculated and well-managed. Effective risk management is therefore an important tool in helping us reduce uncertainty and ultimately achieve our objectives.

Risk governance

Operational and financial risks are managed in accordance with policies adopted by the Board of Directors (the Board). It is the responsibility of directors and managers at all levels of the organisation to ensure that the assessment of risk is formalised and that risk is understood, appropriately managed and reported in accordance with the ISS Group Risk Policy. Our risk governance structure is illustrated below. The ISS Group Risk Policy and other Group policies set out the requirements and minimum levels of achievement necessary to implement the risk management requirements of the ISS Corporate Governance Guidelines.

Operational risk

Generally, we are exposed to operational risks through our actions and activities at own premises as well as at customer premises. Operational risks are assessed based on the activities of each operating company, historic and current claims events, and the markets in which the companies operate. Furthermore, operational risks are assessed on an individual site-by-site basis at customer premises where we provide our services.

RISK GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

AUDIT AND RISK COMMITTEE

- Reviews and monitors key risks and related risk management, action plans and controls
- Approves Group Risk policies

EXECUTIVE GROUP MANAGEMENT BOARD

- Monitors performance of risk management and key risks
- Decides Group Risk Policy and key risk strategies
- Ensures alignment of risk management activities and business strategy and policies

GROUP MANAGEMENT BOARD

- Monitors risk and evaluates risk management
- Implements the Group Risk Policy and other related risk policies
- Ensures sufficient resources to support major risk management projects
- Ensures appropriate parties are aware of their risk responsibilities

COUNTRY MANAGEMENT

- Develops risk recommendations
- Ensures that risks are adequately identified and managed
- Monitors risk activities and initiatives

GROUP FUNCTIONS

- Supervises compliance with internal risk standards

When considered appropriate, operational risks are insured through global or local insurance programmes. This is managed centrally by Group Risk Management.

In general, we believe that the Group is not subject to material operational risks except for risks common in the ordinary course of business in the service industry.

Financial risk management

We are exposed to financial risks as a result of our operating activities, investing activities and financing activities. The Group's financial risks are managed centrally by Group Treasury based on policies approved by the Board. The Group's financial risk management is described in detail in the notes to the consolidated financial statements.

Status on 2013 and focus areas for 2014

In 2013, we focused on embedding risk processes and controls throughout the organisation to raise awareness of risk responsibilities and ensure that risk management is embedded in relevant business processes. For this purpose, selected stakeholders have been trained in risk management and related tools. Examples of training activities are internal training seminars for local risk managers, local legal professionals and local internal auditors. In 2014, our focus remains on improving our risk management through incorporating it in existing activities and processes and by monitoring relevant risk-related indicators.

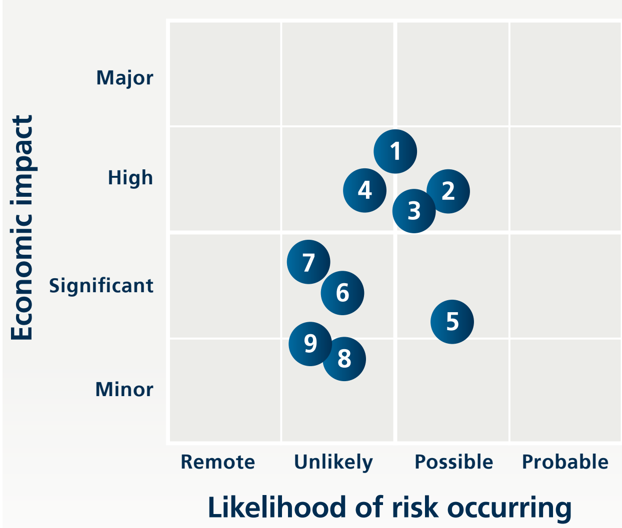
Group key risks

We use a risk mapping approach to keep the Board as well as the various management levels within the Group informed of the key risks the Group faces, their potential impact and likelihood of occurring. The framework deployed for risk reporting and risk assessment is consistent with acknowledged risk and control frameworks.

Each of the key risks are presented in detail below together with current and planned risk mitigating initiatives aimed at mitigating the risk to an appropriate level. Implementation is monitored at Group level.

The risks listed in the following are those that the Board and the Executive Group Management Board currently view as being the most significant to our business.

GROUP KEY RISKS



1 Contract governance
2 Growth strategy – ISS service delivery model
3 Operational risks and contract execution
4 Financial reporting, fraud and corruption
5 Customer retention and competition
6 Macroeconomy
7 Employee risks
8 Growth strategy – market demand
9 Regulatory environment

GROUP KEY RISKS	MITIGATING MEASURES
1. Contract governance The Group is subject to risks associated with our contracts, including our ability to correctly assess pricing terms, employee and other financial obligations, the increased complexity of our integrated facility services (IFS) contracts and the potential early termination or change of scope of contracts by customers. The profitability of our contracts will generally depend upon our ability to successfully calculate prices by taking all economic factors, legal and other risk elements into consideration, and to manage our day-to-day operations under these contracts.	Contract governance is managed through various management policies, frameworks and procedures. Among other measures, we have developed a formal framework and IT tool for contract risk management and contract approval as well as a formal procedure for the approval of large contracts. In addition, for specific customer industries contract risk reviews are performed by Group Risk Management and contract governance is included in Group Internal Audit's scope.
2. Growth strategy – ISS service delivery model Our organic growth strategy relies on various factors including our ability to cross- and up-sell, our ability to continue to self-deliver IFS to local and multinational customers and the recognition by such customers that we are one of very few service providers positioned to provide such services, whether on a global or a local scale.	We evaluate our existing business platform – in terms of the services delivered, our capabilities and the geographies in which we operate – on an ongoing basis and as part of the annual strategy process to ensure that it reflects both the current and future requirements of our customers. In 2012, we developed Insight@ISS, our management information system, to address this and other risks in relation to large and complex contracts. The system allows information to be collated, reviewed and analysed on a global basis to provide information on and support operational and financial contract management. Further, the risk is managed through a continuous focus on operational excellence and implementation of our five process frameworks, which cover all processes from sales to operations as well as detailed risk and compliance analysis when entering new markets and segments.
3. Operational risks and contract execution Operational error or contract non-compliance in general constitutes a risk that could result in unexpected costs. Furthermore, as our services are increasingly becoming an integrated element of our customers' value streams, there is a risk of causing a disruption of our customers' business operations and/or brand damage, if operational procedures or contract requirements are not complied with.	We apply best operational practices through the implementation of our transition and operation process frameworks. Further, by using our facility management IT system, FMS@ISS, the operating processes are automated, which ensures that services are delivered and managed according to these process frameworks. Additionally, our management information system, Insight@ISS, mentioned above under "Growth strategy", addresses this risk and for selected contracts, where ISS maintains critical infrastructure for the customer, operational risk reviews are performed as part of the global risk management framework. The ongoing implementation of our Group HSE manual is also an important tool in terms of risk mitigation.
4. Financial reporting, fraud and corruption Our decentralised structure of financial IT systems and operational control structures increases the risk of financial fraud and corruption. Our growing emerging market presence also increases our exposure to compliance risks in countries where improper practises may be common. Overall, this risk encompasses scenarios such as overstatement of revenue, false or misstatement of expenses, misappropriation of assets, kick-backs, bribery, over-pricing and theft.	A well-established and documented financial controlling process is in place at corporate level for analysing and reviewing financial reporting from subsidiaries. This is described in detail in the chapter "Internal controls related to financial reporting". Furthermore, Group Controlling, Group Treasury and Group Internal Audit evaluate and implement additional measures to increase transparency over interfaces to local finance systems. A review of the integrity and robustness of interfaces has been embedded as a standard item in internal audit assignments in 2013. Implementation of key controls is also monitored through the system of Control Self-Assessments. Additionally, e-learning modules on anti-corruption, anti-bribery and competition laws have been deployed at corporate level in the "ISS Advantage" course, which is attended by all country management teams, senior officers executives and procurement personnel.
5. Customer retention and competition Our strategic direction towards increasing the share of IFS customers will gradually increase our customer concentration. Our ability to target selected customer segments with attractive and competitive value propositions is the key to attracting and retaining IFS, multi-service and single-service customers. Failure to develop and execute on value propositions may lead to increased price competition and increasing contract portfolio losses. In general, the facility services market is fragmented with relatively low barriers to entry and there is significant competition from local and regional companies.	To address the risk, implementation of our sales and operation process frameworks continues as well as the roll out of the IT-tool, CRM@ISS, which enables our country organisations to execute on the sales process framework. Since 2011, we have also carried out global customer surveys covering most of the Group's revenue and enabling us to measure customer satisfaction (Net Promoter Score) and work on developing improvements.

RISK FACTORS	MITIGATING MEASURES
6. Macroeconomy We believe that growth in the demand for our services generally correlates with economic conditions, including growth in the gross domestic product (GDP) of the countries we operate in. We believe that the facility services industry is less sensitive to macroeconomic cycles than a number of other industries are. However, economic downturns or otherwise uncertain economic outlooks in the markets in which we operate or on a global scale could adversely affect demand for outsourcing facility services. Periods of recession or deflation may adversely impact prices, payment terms and demand for services, particularly if customers downsize their businesses or reduce their demand for services. During the recent economic downturn, in certain regions and customer segments, we have experienced reduced activity levels that have adversely impacted our revenue and depressed our operating margins.	We monitor market developments on an ongoing basis, both locally and globally, as part of our general management and annual strategy process and we have taking appropriate steps to adapt our cost structure. In addition, we strive to predict market dynamics and market trends within the services industry that could affect our business in the long term. For example, in cooperation with the Copenhagen Institute for Futures Studies, we have carried out a study on the future of Facility Management seen in a global perspective. The study is available at www.issworld.com.
7. Employee risks **Employee qualifications** Our continued success strongly relies on our effective decentralised organisational structure in which country and regional managers retain substantial autonomy regarding the management of operations in their local markets. As a result, we depend strongly on these local managers. Similarly, qualified local and regional managers are essential in order to ensure best practices being shared across the Group, effective management continuity and the implementation and management of our growth strategies as well as Group policies and operational processes. **Employee retention and attraction** Our competitive strength is highly dependent upon our ability to attract, train and retain employees at all levels of the organisation.	Our management structure and processes are set up to support the continuous improvement of local managers' and employees' qualifications. For example, our operation process framework best practices are shared and implemented through formalised train-the-trainer programmes supporting continuous improvement and compliance with Group policies and procedures as well as the enhancement of our local managers' and employees' capabilities. Our HR strategy has five priorities that all work towards attracting, engaging and retaining our employees, i.e. 1) Leadership development, 2) Engagement, 3) Talent management, 4) Succession planning and 5) Performance management. These are further described in the chapter "Our employees", including global employee engagement surveys, which we have carried out since 2011 to gain insights into where and how we can improve employee engagement.
8. Growth strategy – market demand Our organic growth strategy depends on the underlying GDP growth outlook, the current and future trend across both the private and public sectors to continue to outsource facility services, bundle services and procure contracts nationally or internationally as well as to sustain robust growth in emerging markets. In particular, the growth of our business depends on the continued growth in demand for the outsourcing of facility services, either as single services, multi-services or IFS. Our ability to accurately project near-term and future growth rates from Global Corporate Clients or in key markets may cause financial results to significantly deviate from budgets due to reduced volumes or capacity constraints to manage high growth rates in parts of the business.	Whereas the key growth building blocks have all been established, the existing strategy and business platform is evaluated and refined on an ongoing basis. Further, we strive to meet our customers' requirements by adapting appropriate sales, operational and risk management processes to reflect the needs of our customers. To address the risk we also apply our standard operational procedures and perform detailed risk analysis before entering new markets or segments.
9. Regulatory environment Due to the nature of our industry and the global reach of our operations, we are subject to a variety of laws and regulations governing areas such as labour, employment, immigration, health and safety, tax (including social security, salary taxes and transfer pricing), corporate governance, customer protection, business practices, competition and the environment. We incur, and expect to continue to incur, substantial costs and to commit a significant amount of our management's time and resources to comply with increasingly complex and restrictive laws and regulations.	Both locally and globally we strive to monitor and foresee changes in legislation, which could have a negative impact on our financial performance. Operationally several measures are in place as an integral part of Group policies such as the Group Corporate Governance Guidelines and the operational excellence framework, including the contract risk framework. As part of the formal contract framework, contract price regulation mechanism risks as well as other uncertainties must always be considered, assessed and approved before a contract is signed to mitigate the potential risk of unexpected costs. Other examples are HSE standards based on best practice being implemented across the Group as well as mandatory training modules in anti-corruption, anti-bribery and competition laws for our more than 2,000 top managers throughout the Group. As of end of 2013 more than 4,000 training sessions have taken place.

Chen Ning
Station platform assistant, Shenzhen Subway
ISS China
Helping passengers is Chen's favourite part of the job. She enjoys making sure that everyone gets a pleasant journey and with a smile she guides them to where they are going. Chen also patrols the station ensuring that things are in order.


PASSION

Governance

ISS HQ, New ways of working
The new office offers many different ways of working. Soft chairs are great for the informal meetings between colleagues or for phone calls. The shielded phone niches allow you to have phone calls in private, without disturbing or being disturbed.

Anthony Masson
Landscaping specialist, CERN
ISS Switzerland

Together with rest of the ISS team delivering an IFS solution at CERN, Anthony is working effectively to ensure a consistent high level of service and a pleasant workplace for all employees. Anthony enjoys making the grounds surrounding the nuclear research centre look their best.

"I know how to make this property a great place to work"

Corporate governance

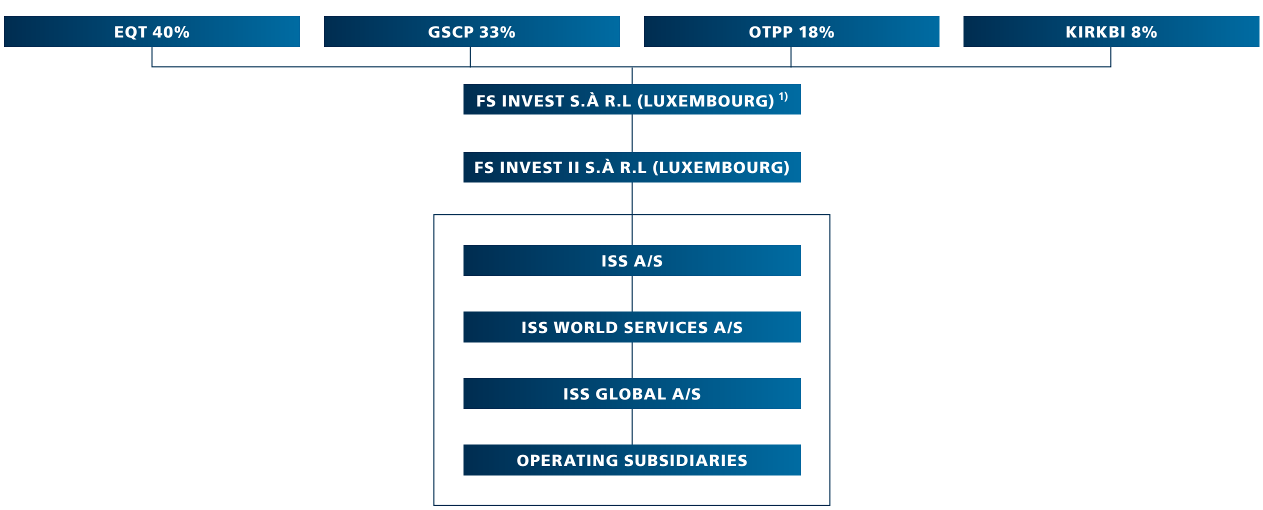
Corporate governance practices at ISS are implemented in a dynamic process with the Board of Directors continuously assessing the need for adjustments to benefit ISS stakeholders and the Group itself.

The Board of Directors regularly reviews the Group's corporate governance in relation to the Group's activities, business environment and statutory requirements.

Corporate governance policies and procedures at ISS take into account the Danish Companies Act, the Danish Financial Statements Act, International Financial Reporting Standards (IFRS), the Danish Venture Capital and Private Equity Association's (DVCA) Guidelines for Responsible Ownership and Good Corporate Governance as well as corporate governance practices for companies of ISS's size and global reach.

Shareholders

ISS A/S is a limited liability company incorporated and operating under Danish law. The company's share capital is indirectly owned by funds advised by EQT Partners (EQT), funds advised by affiliates of The Goldman Sachs Group, Inc. (GSCP), as well as the Ontario Teachers' Pension Plan Board through 2337323 Ontario Limited (OTPP) and KIRKBI Invest A/S (KIRKBI). EQT and GSCP indirectly hold approximately 40% and 33% of the share capital, respectively. OTPP and KIRKBI indirectly hold approximately 18% and 8% of the share capital, respectively. The remaining approximately 1% of the share capital is indirectly held by certain current and former members of the Board of Directors, current and former members of the Executive Group Management Board as well as a number of current and former senior officers of the Group through Director and Management Participation Programmes as described below.



[1] Certain current and former members of the Board of Directors, current and former members of the Executive Group Management Board as well as a number of current and former senior officers of the Group have invested, directly or indirectly, in shares, warrants or loan notes in FS Invest S.à r.l. (FS Invest), ISS's ultimate parent company. The total number of shares held by these directors and officers is approximately 1% of the total share capital.

KEY EVENTS 2013

11 January

ISS awarded NATO management advisory services contract

ISS won a six-year contract to provide management advisory services to NATO.

Under the contract, ISS – along with URS and two other strategic sub-contractors, Capita Symonds and Grant Thornton – will compete for future task orders to support NATO's transition to its new headquarters in Brussels, as well as other current and future organisational change and improvement initiatives.

Specific task orders could include the design of soft facility management services and, in particular, catering, retail and welfare services, operational office support, logistics consulting, infrastructure and management consulting, business process design and management, programme and project management support and human capital management consulting. In addition, the contract can be used by all NATO commands to support current and future NATO missions globally.

Management

ISS has a two-tier governance structure consisting of:

- the Board of Directors (the Board), and
- the Executive Group Management Board (the EGM).

The Board determines the overall Group strategy and supervises the company's activities, its management and organisation. The EGM is responsible for ISS's day-to-day management. The two bodies are separate and have no overlapping members.

Board of Directors

The Board has seven members elected by the general meeting for a term of one year. Board members are eligible for reelection. Four members are considered independent, while three members represent the Group's controlling shareholder due to their affiliation with EQT, GSCP and OTPP.

In addition to the board members elected by the general meeting, three employee representatives also serve on the Board. They have been elected on the basis of a voluntary arrangement regarding Group representation for employees of ISS World Services A/S as further described in the company's Articles of Association. Employee representatives serve for terms of four years. The current employee representatives joined the Board following the annual general meeting in March 2011. The employee representatives have the same rights and obligations as other members of the Board.

The Board functions in accordance with applicable statutory rules, the Articles of Association and its rules of procedure, which provide guidelines for the Board's work in general. Board resolutions are passed by simple majority, and in the event of equal votes, the Chairman, or in his absence the Deputy Chairman, shall have the casting vote.

The Board convenes at least six times a year, including for one strategy meeting each year. Extraordinary meetings are convened by the Chairman when deemed necessary or when requested by a board member, a member of the EGM or by the external auditors. A total of eight board meetings were held in 2013. The EGM provides the Board with a monthly financial reporting package and the Board is briefed about important matters occurring between board meetings. The Board approves the strategy plan, the annual budget and certain large acquisitions, divestments and customer contracts based on recommendations from the Transaction Committee (see Board Committees). The Board annually performs an evaluation of the performance of the Board, and of its individual members and the collaboration with the EGM. More details on the board members are available on pages 82-83. Remuneration to

AGENDA ITEMS TO BE TRANSACTED BY THE BOARD OF DIRECTORS EACH YEAR

December
- Approval of annual budget
- Review of material risks, including risks related to financial reporting, and risk management reporting
- Review of Remuneration Policy and Overall Guidelines on Incentive Pay

November
- Approval of Q3 report

October
- Review and assessment of the competencies and composition of the Board, including assessment of independence of board members
- Review of charters for committees and composition of members
- Consider the composition of the EGM, as well as development, risk and succession plan
- Evaluation of (i) performance of individual members of the Board (ii) performance of the EGM and (iii) cooperation between the Board and the EGM, including presentation of results
- Consider the Group's activities with the view to ensure relevant diversity in other management levels and set specific targets in this regard

August
- Approval of Q2 report
- Review of whistleblower system

February
- Annual general meeting preparation
- Review of capital structure and financing, etc.
- Review of Dividend and Share Buyback Policy
- Review of Corporate Governance, including Rules of Procedure of the Board and the EGM and other corporate governance documents

March
- Approval of Annual Report, including review of going concern assumption
- Approval of CR report
- Session with external auditor and Head of Group Internal Audit without the EGM

April
- Constitution of the Board, including election of Chairman and Deputy Chairman

May
- Approval of Q1 report
- Review of insurance cover, including D&O

June
- Approval of engagement of the Group's external auditor including fees upon recommendation from the Audit and Risk Committee
- Review of material risks, including risk related to financial reporting, and risk management reporting
- Approval and review of overall strategy, business and action plan, including review of necessary competencies and financial resources

Q4 Q1 Q3 Q2

the Board is disclosed in note 6.1 to the consolidated financial statements and in the Remuneration report on page 71.

Board Committees

Currently, four committees report to the Board, one of which was established after 31 December 2013.

The Audit and Risk Committee (previously the Audit Committee) evaluates the external financial reporting, the main accounting policies and estimates and monitors systems of internal controls and risk management. Its duties also include supervision of the external auditor and the internal audit function. In addition, the committee also considers the relationship with the external auditors and reviews the audit process. The committee consists of three members (currently Henrik Poulsen (chairman), Morten Hummelmose and Jo Taylor). The external auditor attends the meetings if requested and must attend at least one meeting per year at which the EGM is not present. The Head of Group Internal Audit shall also attend at least one meeting per year at which the EGM is not present. The committee held six meetings in 2013.

The Remuneration Committee is described as part of the Remuneration report on page 71.

The Nomination Committee was established after 31 December 2013 and assists the Board in ensuring that appropriate plans and processes are in place for the nomination of candidates for the Board and the EGM and in evaluating the composition of the Board and the EGM. The committee consists of three members (currently Lord Allen of Kensington CBE (chairman), Jennie Chua and Morten Hummelmose). As the committee was established in 2014, no meetings were held in 2013.

The Transaction Committee makes recommendations to the Board in respect of certain large acquisitions, divestments and IFS contracts, reviews the transaction pipeline, considers ISS's procedures for large transactions and evaluates selected effected transactions. The commit-

KEY EVENTS 2013

21 August

Lord Allen of Kensington elected new Chairman of ISS

Lord Allen of Kensington CBE was elected Chairman of the Board of Directors of ISS A/S and ISS World Services A/S.

Lord Allen is currently Chairman of Global Radio Group, the largest commercial radio group in Britain, and 2 Sisters Food Group.

He was previously Chief Executive of Granada Group and Executive Chairman of Granada Media Plc. and has also served as chairman of EMI Music and CEO of Compass Group. In 2002, Lord Allen successfully chaired the Commonwealth Games, and he was the vice chair of the London 2012 Olympic Bid Committee.

Lord Allen said he was very much looking forward to working even closer with the leadership of ISS and the rest of the Board.

tee consists of four members (currently Lord Allen of Kensington CBE (chairman), Morten Hummelmose, Andrew Wolff and Jo Taylor). The committee held four meetings in 2013.

Executive Group Management Board

The EGM consists of Group CEO Jeff Gravenhorst, Group CFO Heine Dalsgaard, Group COO EMEA Henrik Andersen and Group COO Americas & APAC John Peri. The primary tasks of the EGM are to carry out the day-to-day management of the Group, develop and implement strategic initiatives, develop Group policies, monitor Group performance and evaluate investments as well as acquisitions, divestments and large IFS contracts.

Diversity

ISS recognises the importance of promoting diversity at management levels. When considering nominations to the Board or the EGM, we are committed to selecting the best person for the position, but aspire to have diversity in gender as well as in broader terms such as international experience.

The assessment of candidates is based on an evaluation of qualifications, experience and competencies as well as other relevant factors. Emphasis is put on:

1. experience and expertise (such as industry, finance, strategy, international business, HR, management and leadership);
2. diversity (including in respect of age, gender, new talent and international experience) as well as diversity of perspectives brought to the Board or the EGM; and
3. personal characteristics matching ISS's values and leadership principles.

To support our commitment to gender diversity, in March 2013 the Board adopted a target of increasing the number of women on our Board elected by the general meeting from one to at least two members at the annual general meeting in 2017. The Board seeks to identify female candidates when nominating new board members, however, remains committed to always selecting the best candidate for the position. Presently, the Board has one female board member elected by the general meeting and one female board member elected by the employees.

In terms of international experience, the Board targets at all times to have sufficient international experience at all management levels taking into account the size and activities of ISS. The EGM is considered to have the necessary international experience if half of its members have international experience from large international companies. Presently, all four members of the EGM have international experience.

Group Management Board

The Group Management Board (the GMB) is headed by the Group CEO and consists of the Group CFO, the Group COOs, Regional CEOs, CFO EMEA, CFO Americas & APAC, Head of Global Corporate Clients, Head of Group Human Resources, Head of Group Strategy & Corporate Development and the Group General Counsel. The primary tasks of the GMB are to develop and execute new strategic initiatives, develop and implement Group policies, monitor Group performance, review financial matters, coordinate and evaluate acquisitions, divestments and large IFS contracts and to provide the EGM with input for decision-making purposes. A member of the GMB is not permitted to hold directorships in companies outside the Group unless specific consent is granted.

An overview of the GMB, Group COOs and Regional CEOs as well as heads of Group functions is available on pages 80-81, 175 and page 176, respectively.

Country management

In each of the countries in which ISS operates, country management teams are appointed to manage the business in accordance with Group policies and procedures as well as local legislation and practice. ISS delegates substantial autonomy and considerable power to the country management teams including management of operations in their relevant markets, financial reporting, local tax and compliance with local legislation and practices.

An overview of the country managers of the Group is available on pages 177-179. The country management teams are set out under each relevant country on the ISS website at www.issworld.com.

KEY EVENTS 2013

26 June

ISS Portugal services Banco Santander Totta

ISS Portugal renewed its contract with Banco Santander Totta, providing hygiene and cleaning services at the bank's facilities.

ISS's services to Banco Santander Totta in Portugal involve approximately 800 ISS employees. ISS's mission is to ensure quality services that provide comfort and a great atmosphere at the bank's facilities. ISS has been providing hygiene and cleaning services at approximately 700 Santander Totta facilities for about five years.

In Portugal, Santander Totta serves around two million customers and has more than 650 divisions across the country, representing approximately 12% of the Portuguese banking system.

ISS entered the Portuguese market in 1992 and is the ninth largest private employer in Portugal.

Ana Paula
Receptionist, Barclays
ISS Brazil

Working as a receptionist at Barclays in São Paulo, Brazil, Ana takes pride in servicing visitors with a smile. Ana believes that the most important thing in the work environment is to do your job with care and respect, and treat all customers and employees well.

Remuneration report

Our remuneration policy aims to attract, motivate and retain qualified members of the Board of Directors and the Executive Group Management Board.

To achieve the objective, remuneration is based on the individual member's responsibilities and performance. Furthermore, remuneration has been designed to be competitive and in line with market practice in comparable listed companies as well as to support our strategic goals and promote value creation for the benefit of our shareholders.

Remuneration of members of the Group Management Board (the GMB) other than members of the EGM follows the same principles as laid down in the remuneration policy for the EGM.

The remuneration policy is reviewed at least annually and the remuneration policy applicable for 2013 was approved by the Board on 25 June 2012.

THE REMUNERATION COMMITTEE

The Remuneration Committee was established in 2010 by the Board to ensure that ISS maintains a remuneration policy and overall guidelines on incentive pay for the members of the Board and the EGM.

The Remuneration Committee assists the Board in preparing the remuneration policy and the overall guidelines on incentive pay and recommends to the Board the remuneration of the members of the Board and the EGM as well as the remuneration policy applicable to ISS in general.

In 2013, the committee consisted of three members (currently Lord Allen of Kensington CBE (Chairman), Thomas Berglund, and Andrew Wolff). The Group CEO attends the meetings unless when the Group CEO's remuneration is tabled for discussion. The committee held four meetings in 2013.

In 2013, the Remuneration Committee engaged Kepler Associates to advise the Committee as external and independent advisor. The role of the advisor is to provide independent advice to the Committee on remuneration matters. Kepler Associates do not provide any other services to ISS.

Activities in 2013 and objectives for 2014

In 2013, the Remuneration Committee focused on establishing a consistent approach to remuneration for members of the EGM and the GMB. Furthermore, the Committee focused on ensuring that remuneration of the EGM and the GMB, respectively, in general is linked to ISS's results; in line with market practice in comparable listed companies; and aligned to the interests of the shareholders.

Our objective for 2014 is further alignment of remuneration programmes. In 2014, we expect to introduce new short-term incentive plans (STIP) for the EGM and the GMB as well as other incentive plans subject to the intended IPO, see "Intended Initial Public Offering (IPO)" on page 73. Furthermore, the objective for 2014 is to ensure that the remuneration approach on country level is aligned with the remuneration policy for the Group.

The aim for the incentive schemes expected to apply for 2014 for the EGM and the GMB and certain other employees is to take into account the achievement of targets for employee engagement, customer experience as well as health and safety related KPIs. This is in addition to targets for the Group's key financial objectives (i.e. organic growth, operating margin and cash conversion), which are already taken into account.

Board of Directors

Each Board member (except representatives of EQT, GSCP and OTPP) received a fixed annual fee in 2013. The Chairman of the Board received 3 times of the fixed annual fee and the Deputy Chairman 1.5 times. Members of the Board Committees (except for the Chairman) received an additional fixed fee and the size depended on the competencies, effort and scope of work required by the member of each committee. The Chairman of the Audit and Risk

Committee (previously the Audit Committee) received 1 time of the annual fixed fee and other Audit and Risk Committee members received 50%. Members of other committees received 25% of the annual fixed fee.

Members of the Board did not participate in any incentive schemes in 2013.

Certain members of the Board have invested indirectly in shares of FS Invest as part of the Directors Participation Programme as described on page 73.

Expenses, such as travel and accommodation in relation to board meetings as well as relevant training are reimbursed. If members of the Board have to travel overseas to attend board meetings, a fixed travel allowance per meeting may be paid.

Remuneration to the Board is disclosed in note 6.1 to the consolidated financial statement.

Executive Group Management Board and Group Management Board

The main elements of the remuneration to the EGM and the GMB in 2013 are summarised in the table below.

Annual base salary and customary benefits The members of the EGM and the GMB are remunerated with a combination of fixed salary and customary benefits in accordance with market standards.

Annual bonus The EGM and most members of the GMB receive a performance-based annual bonus of up to 60% of their annual base salary, which in the event of extraordinary performance (significantly above budget) can be up to 90% of the annual base salary. The bonus is subject to achieving performance targets for the Group's key financial KPIs; organic growth, operating margin and cash conversion. Bonuses and any other variable component of remuneration are subject to claw-back if in exceptional cases it is subsequently determined that payment was based on information that was manifestly misstated. Reclaim in full or in part of the variable component of remuneration is determined at the discretion of the Board.

Long-Term Incentive Programmes The EGM and the GMB participate in a Long-Term Incentive Programme (LTIP). The LTIP is cash-based and the annual grant has a value of up to 15% of the annual base salary. Subject to achieving performance targets for operating profit and net debt and the occurrence of a vesting event (e.g. an IPO or a sale of the majority of shares in ISS to a third party), the LTIP will pay out in the range of 20% to 150% of the grant value. The maximum pay-out in such event is 22.5% of the annual base salary.

Termination and severance payment All employment contracts of the EGM and the GMB members may be

ELEMENT	OBJECTIVE	AWARD LEVEL	PERFORMANCE MEASURES
Annual base salary	Attract and retain high-performing GMB members reflecting their position, skills, competencies and experience	Take into account competitive market rate of industry peers as well as skills, competencies and experience	Reviewed annually based on individual performance and market alignment
Non-monetary benefits	Customary benefits in accordance with market standards to support recruitment and retention	Benefits corresponding to market standards	N/A
Annual bonus	Drive delivery of short-term financial results, implementation of The ISS Way and behaviour consistent with the ISS Leadership Principles	Target bonus is 60% of annual base salary. Maximum bonus opportunity is 90% and is awarded for performance significantly above budget. Objectives are set for one year	Measures and weighting: organic growth (30%), EBITA (30%), cash conversion (30%), and individual objectives (10%). Performance is measured for each financial year
Long-Term Incentive Programme (LTIP)	Drive delivery of long-term financial results, retention of GMB members and alignment to shareholder value creation	The LTIP focuses on value creation towards an IPO. Target LTIP grant is 15% of annual base salary. The plan is cash-based and the grant vests in case of an initial public offering or other change of control event.	The LTIP rewards increasing operating profit and decreasing net debt. Subject to achieving performance targets, the plan can pay out in the range 20-150% of the grant value
Pension	Except for one member, the members of the GMB are not covered by a pension plan of the Group but shall arrange for their own pension planning	N/A	N/A

terminated at 12-24 months' notice, except for one contract where termination is subject to Portuguese law. Each of the EGM and the GMB members may terminate their positions with 6 months' notice. One employment contract includes a severance payment of approximately two years' salary in the event of termination by ISS. No other members of the EGM or the GMB are entitled to severance payments. Members of the EGM and the GMB are subject to non-competition clauses. Members of the GMB (other than members of EGM) are subject to non-solicitation of customers clauses for a period of 12 months from the expiry of their notice periods, except for two members who are only subject to non-competition clauses, and one member who is only subject to a non-solicitation clause regarding customers and certain employees. The employment contracts contain no other special termination rights and no change of control clauses.

Directors' and Management Participation Programme In 2006, EQT and GSCP established a Management Participation Programme (MPP) through which the EGM and a number of senior officers of the Group have invested. In March 2012, the programme was re-designed to introduce two investment profiles. The EGM and certain senior officers of the Group remained indirect investors in a mix of shares and warrants of FS Invest, whereas the remaining senior officers of the Group – having had the opportunity to settle part of their investment in cash – invested directly or indirectly in shares or loan notes of FS Invest. During 2013, the new members of the EGM and a number of senior officers entered the MPP by investing indirectly in a mix of shares and warrants in FS Invest and certain senior officers of the Group entered the MPP by investing indirectly in shares in FS Invest. At 31 December 2013, the investments amounted to a total of DKK 192 million, covering 127 executives and officers.

Certain members of the Board participate in a Director' Participation Programme (DPP), under which they have invested indirectly in shares in FS Invest. At 31 December 2013, the investments amounted to a total of approximately DKK 15 million covering four members of the Board. In addition, three former members of the Board who resigned during 2013 participate in the DPP under which they have invested in a mix of shares and warrants of FS Invest which at 31 December 2013 amounted to a total of approximately DKK 9 million.

At 31 December 2013, the investments under the programmes were as follows:

PARTICIPATION PROGRAMMES

DKK million	Number of persons	Investment measured at cost
Board of Directors	10	27
Executive Group Management Board	4	19
Corporate Officers	26	48
Country Management	97	125
Total	**137**	**219**

In addition, one former member of the Board who resigned in 2013 has co-invested with EQT and GSCP for approximately DKK 7 million at 31 December 2013.

Remuneration to the individual members of the EGM is disclosed below, whereas total remuneration to the GMB is disclosed in section 6.1 to the consolidated financial statement.

Intended Initial Public Offering (IPO)

Certain members of the EGM and the GMB as well as certain other employees are subject to a cash bonus scheme totaling DKK 13 million triggered by the completion of the intended IPO or a sale of the company.

In preparation for the intended IPO, the Remuneration Committee in January 2014 established selected incentive schemes to apply for the EGM, the GMB and certain other employees subject to the completion of an IPO. The new incentive schemes consist of both cash-based bonus schemes and share-based schemes. Cash-based bonus schemes include a short-term incentive programme which will be partially settled in restricted share units. Share-based schemes include a transition share programme and a long-term incentive programme. For further information regarding the incentive schemes, please refer to the offering circular for ISS A/S if and when this is published.

REMUNERATION TO THE EXECUTIVE GROUP MANAGEMENT BOARD

				2013		2012
DKK thousand	Jeff Gravenhorst	Heine Dalsgaard	Henrik Andersen	John Peri	Jeff Gravenhorst	Henrik Andersen
Salaries and other remuneration	7,901	2,839	6,431	2,507	7,909	6,420
Bonus	5,044	1,550	4,046	1,451	2,060	1,500
Share-based payments	-	-	-	-	563	-
Total remuneration	**12,945**	**4,389**	**10,477**	**3,958**	**10,532**	**7,920**

Jose Carlos Camara
Maintenance worker, La Sagrada Familia
ISS Spain

La Sagrada Familia is Barcelona's most famous landmark and a UNESCO World Heritage Site. Maintaining an iconic monument like this, fills Jose Carlos with pride and purpose. Every day, he helps to get the famously unfinished church a little closer to completion.

"Maintaining La Sagrada Familia is literally a monumental task"

Internal controls relating to financial reporting

We consider our internal control procedures to be an essential management tool. Care is taken to ensure that a sound framework of controls is in place for safeguarding the business, the Group's assets and shareholder investments as well as its financial reporting.

The Group's internal control and risk management systems are developed to mitigate rather than eliminate risks identified in the financial reporting process and to ensure a true and fair view of ISS's financial reporting without material errors.

The Board of Directors (the Board) has approved policies, standards and procedures in key areas related to financial reporting, including the Code of Conduct, Accounting and Reporting Policies, Treasury Policies and Procedures and Control Procedures.

The Audit and Risk Committee is responsible for monitoring the internal controls and risk management systems as well as challenging the Executive Group Management Board (the EGM) in its assessment of material financial reporting risks. Any risk that may cause a material error in the Group's financial reporting is considered a material financial reporting risk.

Group Internal Audit is responsible for providing assurance concerning the internal control environment in accordance with the internal audit plan approved by the Audit and Risk Committee. Group Internal Audit operates under a charter approved by the Board.

The EGM has established a Group Controlling department responsible for controlling the financial reporting from subsidiaries and preparing the consolidated financial reporting.

Internal control procedures at Group level have been established to assess on an ongoing basis the Group's internal control environment and to manage identified risks. However, as a risk of misuse of assets, unexpected losses, etc., will always exist, such controls can provide reasonable, but not absolute assurance against material misstatements, omissions or losses. The aim of the established control environment is therefore to provide the Board and the EGM with reasonable assurance that:

- the financial reporting is reliable and in compliance with internal policies and procedures and gives a true and fair view of the Group's financial performance and financial position;
- material risks are identified and minimised;
- internal controls are in place to support the quality and efficiency of the business processes and to safeguard the Group's business and assets; and
- our business is conducted in compliance with applicable legislation, standards, regulations and ISS policies.

Risk assessment

Risks related to the financial reporting process are identified and assessed annually based on a materiality test including a risk assessment of the impact of quantitative and qualitative factors. The evaluation of the risks includes an assessment of the likelihood of an error occurring and whether such error may be material. The risk of errors is relatively higher for accounting areas that require management judgement and/or are transactions that are generated through complex accounting processes. Accounting areas that require management to make estimates and judgements are described in the relevant notes to the consolidated financial statements, under Critical accounting estimates and judgements.

On an ongoing basis the Audit and Risk Committee discusses:

- material and relevant new accounting pronouncements and implementation of such;
- evaluation of the overall effectiveness of the internal controls for financial reporting; and
- accounting for material legal and tax issues and significant accounting estimates.

Control activities

In order to sustain a sound control environment, control activities are designed to obtain the desired assurance. These measures must ensure that all relevant aspects of a specific area are covered, and that the combination of control activities monitors all relevant aspects of the business. The control activities are based on the risk assessment made by the EGM. The purpose of the control activities is to prevent, detect and correct any material misstatements in the financial reporting.

The Group has implemented a formalised financial reporting process that includes the reporting requirements and related control activities illustrated in the table to the right.

Whistleblower policy

ISS has developed a whistleblower policy to enable employees, business partners and other stakeholders to report suspected violations or concerns relating to any matter of exceptional gravity or sensitivity. The whistleblower system can be accessed from a link on ISS's website and is supported by an externally hosted IT system to secure a reporting tool in full confidentiality. Reports filed through the whistleblower system are managed by Head of Group Internal Audit and Group General Counsel under instruction from the Audit and Risk Committee.

Information and reporting systems

All countries use a standardised financial reporting tool. Due to the decentralised structure, various ERP platforms exist within the Group. However, the number of different ERP platforms is continuously being reduced.

Information and communication systems to ensure accounting and internal control compliance have been established, including an Accounting Manual, Reporting Instructions, Budgeting Manual and other relevant guidelines. The aim is to ensure that all employees receive the relevant information on a timely basis to ensure efficient and reliable execution of tasks including carrying out the established control activities.

Monitoring

Every month the Group's subsidiaries report financial information on financial developments to Group Controlling. This information is used to prepare consolidated financial statements and reports submitted to the Board and the EGM. Financial reporting from the subsidiaries is controlled on a monthly basis (see Control activities).

REPORTING	CONTROL ACTIVITIES
Financial performance and financial position	
All countries must report a full income statement, statement of financial position, statement of cash flows, portfolio analysis and three-months forecasts etc. on a monthly basis.	Group controlling monitors and controls the reporting for significant deviations from the budget.
Cash flow forecasts	
All countries must report bi-weekly their daily cash flow forecasts for a rolling three-month period.	Actual figures are continuously monitored and validated by Group Treasury for deviations from the forecasted figures.
Business reviews	
All countries must report a full income statement, statement of financial position, statement of cash flows, portfolio analysis, three-month forecasts and contract performance etc. on a monthly basis.	Monthly meetings between regional management and country management with a focus on the current performance and the state of the business.
Budgets and financial plans	
All countries must prepare budgets and plans for the following financial year in a pre-defined format.	Regional management teams review the proposed budgets and plans with the countries.
Full-year forecasts	
All countries must update and report their full-year estimates twice a year.	Monthly meetings between regional management and country management with a focus on the current performance and the state of the business.
Strategy reviews	
Country management must provide annual updates of a predefined strategy template, including both assessments and conclusions on each of our business fundamentals. This is combined with figures related to our markets supporting the conclusion.	Annual meetings held with country managers at which the strategy is discussed and priorities and plans for the coming year are agreed.
Acquisitions and divestments	
All acquisition and divestment proposals must be presented in a predefined report format and valuation model for approval.	Transaction Committee/Board approval is required for large or strategic acquisitions and divestments.
Large contracts	
Certain large contracts must be presented in a predefined format focusing on risk evaluation for approval.	Transaction Committee/Board approval is required.
Control self-assessments	
Every six months, country managements must self-assess the implementation of certain key internal control activities and develop plans to close any implementation gaps.	Group Internal Audit performs ongoing audits based on the countries' control self-assessment.

The country management teams are responsible for ensuring that the control environment in each operating country is sufficient to prevent material errors in the country's financial performance and financial position reported for consolidation purposes. The regional management teams provide governance of the country operations.

Additionally, in order to ensure that adequate internal control procedures are maintained locally Group Internal Audit visits the country organisations regularly. These visits take place according to a plan for the year approved by the Audit and Risk Committee. The findings and conclusions of internal audits, including recommendations on how to improve the control environment, are presented in reports addressed to country and regional management teams, representatives of the EGM and the external auditor. Group Internal Audit performs follow-up audits to ensure that the recommendations are implemented. The key findings from internal audits are presented to the Audit and Risk Committee, which evaluates the results reported and uses the conclusions to assess the general control environment when reviewing the internal audit plan for the coming year.

External audit

The Board nominates the external auditors for election at an annual general meeting. The nomination follows an assessment of the competencies, objectivity and independence of the external auditor and the effectiveness of the audit process.

An independent business relationship with the Group's external auditors is essential for the control environment. As part of the safeguards to ensure independence, the external auditors cannot perform certain non-audit services for ISS including, but not limited to, the preparation of accounting records and financial statements or participate in recruitment for senior management positions.

The company collaborates with its external auditors at country level and at Group level in relation to procedures and internal controls by exchanging internal audit reports and by generally sharing relevant knowledge.

All Board members receive the external auditors' long-form audit reports in connection with the audit of the annual consolidated financial statements and any other long-form audit reports. Auditor reports are discussed in detail by the Audit and Risk Committee.

The Board reviews the Annual Report at a Board meeting attended by the external auditors. The findings of the external auditors and any major issues arising during the course of the audit are discussed, and significant accounting policies and critical accounting estimates and judgements are reviewed.

KEY EVENTS 2013

22 March

ISS to deliver integrated facility services to Citi in the Asia and Pacific regions

Citi, a leading global bank, entered into a new partnership agreement with ISS granting ISS a two-year extension to its existing contract covering all Citi sites in the EMEA region.

As part of the new agreement ISS delivers a wide range of services to more than 1,500 Citi sites – covering a total of around 1.3 million square metres – in the Asia and Pacific regions. A total of 19 countries are covered by the new extended partnership, including Japan, India, South Korea, Singapore, China/Hong Kong and Australia.

The new agreement in the Asia and Pacific regions makes Citi one of ISS's largest global customers.

“A friendly smile is the first step to recovery”

Man Lizhen
General worker, Hospital Authority
ISS Hong Kong

When patients come to the Hospital Authority, Man wants to make them feel as good as possible. She does this by taking the time to talk to them – always with a smile. She understands the patients’ situation and she does what she can to help them.

Executive Group Management Board

Jeff Gravenhorst

Group CEO since April 2010. Joined ISS in 2002. Born 1962.

Previously Jeff Gravenhorst held positions within ISS as Group COO, Group CFO and CFO of ISS UK.

Deputy chairman of the board of directors of Rambøll Gruppen A/S and a member of the board of directors of Danish Crown A/S and Statsautoriseret revisor Ove Haugsted og Hustru Lissi Haugsteds Familiefond. In addition, a member of the central board of the Confederation of Danish Industry (DI).

Prior to joining ISS, Jeff Gravenhorst was Managing Director of ALTO Danmark A/S (heading up the European divisions) and Finance Director of Wittenborg UK Ltd (both subsidiaries of Incentive A/S). Jeff Gravenhorst also held positions as Vice President of ALTO U.S. Inc. and Manager at Arthur Andersen, Denmark.

Education: Bachelor in Business Administration and a Master of Science in Business Administration and Auditing, both from Copenhagen Business School.

Heine Dalsgaard

Group CFO since August 2013 where he joined ISS. Born 1971.

Prior to joining ISS, Heine Dalsgaard was Group CFO and a member of the executive management board of the Grundfos Group where he held management positions at Grundfos Holding A/S (and two of its subsidiaries). He was also previously Group CEO of Tæppeland Holding A/S (and certain of its subsidiaries), Finance Director at Hewlett-Packard/Compaq Computer in Denmark, auditor at Arthur Andersen and bank assistant at Privatbanken/Unibank.

Education: Business School Diploma in Economics (HD) and a Master of Science in Business Economics and Auditing from Copenhagen Business School as well as the part I and II diploma from the Bank School.

Henrik Andersen

Group COO EMEA since March 2013. Joined ISS in 2000. Born 1967.

Previously Henrik Andersen held positions within ISS as Group CFO, Country Manager and CFO of ISS UK Ltd, International Business Director Northern Europe, Head of Group Treasury and other finance positions.

Member of the board of directors of Vestas Wind System A/S and a member of the Investment Committee of Maj Invest Equity 4 K/S.

Prior to joining ISS, Henrik Andersen held various positions with Jyske Bank Markets, including Director for large Nordic Corporate Clients.

Education: Graduate Diploma in International Trade and Finance (HD) from Aarhus School of Business and a Master of Law from Aarhus University.

John Peri

Group COO Americas & APAC since August 2013 where he joined ISS. Born 1961.

Prior to joining ISS, John Peri was COO and Executive Vice President of Global Operations of Celestica Inc.

Education: Bachelor of Applied Science in Industrial Engineering from the University of Toronto.

The members of the Executive Group Management Board are also members of the Group Management Board.

Group Management Board

Luis Andrade
Regional CEO Latin America since August 2009.
Joined ISS in 1992. Born 1960.

Previously Luis Andrade held positions within ISS as Regional Director of Latin America as well as Country Manager of ISS Portugal.

Education: Degree in Mechanical Engineering from Instituto Superior de Engenharia de Lisboa.

Flemming Bendt
Regional CEO Eastern Europe since February 2013.
Joined ISS in 1998. Born 1971.

Previously Flemming Bendt held positions within ISS as interim Country Manager and CFO of ISS Denmark, Executive General Manager and Country Manager of ISS Australia, CFO of ISS Belgium, Head of Controlling in the ISS Group and various positions at ISS Netherlands.

Education: Diploma in Financial Management Accounting (HD-R) and a Master of Science in Business Economics and Auditing, both from Copenhagen Business School.

Troels Bjerg
Regional CEO Nordic since August 2011.
Joined ISS in 2009. Born 1963.

Previously Troels Bjerg held positions within ISS as Regional CEO Eastern Europe.

Prior to joining ISS, Troels Bjerg was Group CEO of Stenhøj Group, Vice President of Daimler South East Asia Pte Ltd and Director of Daimler AG.

Troels Bjerg is a member of the board of directors of Ejner Hessel Holding A/S (and three of its subsidiaries).

Education: Bachelor in Business Administration from Copenhagen Business School and Master of Business Administration from IMD.

Daniel Patrick Brennan
Head of Group Human Resources since August 2010.
Joined ISS in 2010. Born 1956.

Prior to joining ISS, Daniel Brennan was Vice President of Human Resources EMEA of Electronic Data Systems (EDS) and Vice President of Human Resources Americas of Hewlett-Packard.

Education: Diploma in Business Administration with specialty in Personnel Management from Niagara College and a Bachelor of Administrative Studies from York University, Atkinson College.

Jacob Götzsche
Regional CEO Central Europe since July 2008.
Joined ISS in 1999. Born 1967.

Previously Jacob Götzsche held positions within ISS as COO Central Europe and Regional Director Central Europe as well as International Business Director Central Europe.

Education: Master of Science in Business Economics and Auditing from Syddansk University and is also Chartered Public Accountant (FSR-Danish Auditors).

Thomas Hinnerskov
Regional CEO APAC since February 2012.
Joined ISS in 2003. Born 1971.

Previously Thomas Hinnerskov held positions within ISS as Country Manager of ISS Austria and ISS Ireland, respectively, and COO Key Accounts of ISS Sweden as well as responsible for Task Force as Vice President at the ISS Group.

Prior to joining ISS, Thomas Hinnerskov was Senior Investment Manager of TEMA Kapital, Senior Associate at McKinsey & Company and Vice President at Gudme Raaschou Investment Bank/WestLB Panmure.

Education: Master of Science in Finance and Accounting from Copenhagen Business School.

Henrik Langebæk
CFO EMEA & Group Procurement since February 2013.
Joined ISS in 2004. Born 1966.

Previously Henrik Langebæk held positions within ISS as COO Projects & Group Procurement, interim Regional CEO APAC, COO Business Carve-Out & Group Procurement, Regional CFO APAC and Regional Director (India, Thailand, Malaysia, Singapore & the Philippines).

Education: Bachelor in Accounting & Business Finance and a Master of Science in Business Administration and Audit, both from Copenhagen Business School.

Todd O'Neill
Head of Group Strategy & Corporate Development since September 2008.
Joined ISS in 2008. Born 1966.

Prior to joining ISS, Todd O'Neill was a Director of SEB Enskilda.

Education: Bachelor of Science from St. Michael's College and Graduate Diploma in Accounting (HD) from Copenhagen Business School.

Andrew Price
Head of Global Corporate Clients since 2011.
Joined ISS in 1995. Born 1964.

Previously Andrew Price held positions within ISS as COO Facility Services as well as Managing Director of Integrated Solutions and Commercial Director, Healthcare of ISS UK.

Prior to joining ISS, Andrew Price was Director at Taylorplan Services Ltd and held various positions at Securiguard Group Plc.

Education: BA (hons) in modern Language and Economics from the University of Northumbria.

Bjørn Raasteen
Group General Counsel since January 2005.
Joined ISS in 1999. Born 1964.

Prior to joining ISS, Bjørn Raasteen was attorney-at-law with Danish law firm Bruun & Hjejle.

Education: Master of Law from the University of Copenhagen, admitted to the Danish Bar in 1991 and obtained right of audience before the Danish Supreme Court in 1997.

Jørn Vestergaard
CFO Americas & APAC since October 2013.
Joined ISS in 2002. Born 1968.

Previously Jørn Vestergaard held positions within ISS as CFO of ISS Norway, Regional CFO Nordic, International Business Director, Head of Group Controlling and Group Controller.

Education: Bachelor and Master in Auditing from Aarhus School of Business and a part I and II diploma from the Bank School.

Board of Directors

Lord Allen of Kensington CBE (Chairman)

First elected in March 2013.
Independent. Born 1957.

Lord Allen is chairman of Global Radio Group (and a member of the board of directors of seven of its subsidiaries), Boparan Holdings Ltd and 2 Sisters Food Group Ltd and a member of the board of directors of Endemol, Edam Acquisition Holding I Cooperatief UA, Brand Investments Vehicle 2 Ltd, Grandmet Management Ltd, Grandmet Development Ltd, Get AS as well as a partner of Xseqour Partners. In addition, Lord Allen is chairman of the management board of the British Labour Party and Join In Trust Ltd and acts as senior advisor to Goldman Sachs Capital Partners and advisor to Boparan Holdings Ltd and Powerscourt.

Previously Lord Allen was Chief Executive Officer of Compass as well as Chief Executive of Granada Group Plc. and executive chairman of Granada Media Plc. Lord Allen has also been chairman of EMI Music, a member of the board of directors of Virgin Media Ltd and Tesco Plc. In addition, Lord Allen was chairman of the British Red Cross and a member of the London Organising Committee of Olympic and Paralympic Games as well as Vice Chairman of the London 2012 Bid Committee for the Olympic and Paralympic Games.

Education: FCMA from Institute of Management Accountants and Honorary Doctorate Degrees from the University of Salford, the Manchester Metropolitan University and the Southampton Solent University.

Competencies: Professional experience in managing multi industry companies, significant financial and commercial skills and extensive board experience.

Thomas Berglund (Deputy Chairman)

First elected in March 2013.
Independent. Born 1952.

Thomas Berglund is President and Chief Executive Officer of Capio Holding AB (including management positions on the board of directors and/or executive management of 12 of its subsidiaries). In addition, Thomas Berglund is a member of the executive management of TA Consulting GmbH and a member of the board of the Swedish Association of Private Care Providers.

Previously Thomas Berglund was president and Chief Executive Officer of Securitas and Chief Executive Officer of Eltel.

Education: Bachelor of Science in Business administration and Economics from Stockholm School of Economics.

Competencies: Extensive experience in leading and growing international service companies.

Jennie Chua

First elected in December 2011.
Independent. Born 1944.

Jennie Chua is chairman of the Old Parliament House Ltd and GLH Management Group Pte Ltd and deputy chairman of Temasek Foundation CLG Ltd as well as a member of the board of directors of Yishun Community Hospital Pte Ltd, Far East Orchard Ltd, CapitaMalls Asia Ltd and GuocoLeisure Ltd (and one of its subsidiaries), Sentosa Development Corporation (and one of its subsidiaries), MOH Holdings Pte Ltd (and chairman and a member of two of its subsidiaries), Pas De Deux Holdings Pte Ltd, Beeworks Inc., the Singapore Chinese Girls' School and CapitaLand Hope Foundation. In addition, Jennie Chua is director and trustee of the Nanyang Technological University, chairman of the Advisory Committee of Singapore Institute of Technology and a member of the Joint Advisory Board of Cornell Nanyang Institute of Hospitality Management and the Singapore Pro-Enterprise Panel. Jennie Chua is also Justice of the Peace of the Prime Minister's Office (Singapore) and Singapore's Non-Resident Ambassador to the United Mexican States, President Emeritus of Philippines Bayanihan Society (Singapore), Co-Chairman of Governing Council of the Institute of Service Excellence and committee member of MOH Holdings Healthcare Infrastructure and Planning Committee.

Previously Jennie Chua held a number of management positions in the hotel and tourism industry, including as Chief Corporate Officer of CapitaLand Ltd and President and Chief Executive Officer of the Ascott Group Ltd as well as chairman and Chief Executive Officer of Raffles Holdings Ltd and Raffles International Ltd, respectively.

Education: Bachelor of Science from the School of Hotel Administration, Cornell University.

Competencies: Executive management experience from international companies, strategic planning, extensive board experience, property and facility management, management expertise from the service and hotel industries.

Morten Hummelmose
First elected in June 2013.
Not independent. Born 1971.

Morten Hummelmose is partner at EQT Partners and head of its Copenhagen office as managing director of EQT Partners A/S and a member of the board of directors of EQT Partners A/S and Zebra A/S.

Previously Morten Hummelmose worked at Enskilda Securities in Copenhagen, Goldman Sachs International in London and Nordea in Copenhagen.

Education: Master of Science in Economics from the University of Copenhagen and a Master of Science in Finance from the University of London.

Competencies: Professional experience in investing in large international companies, broad experience within banking and private equity, expertise in complex financing structures and M&A.

Henrik Poulsen
First elected in August 2013.
Independent. Born 1967.

Henrik Poulsen is Chief Executive Officer of DONG Energy A/S and a member of the board of directors of Chr. Hansen Holding A/S, Falck Holding A/S (and two of its subsidiaries). In addition, Henrik Poulsen is independent industrial advisor to EQT and is a member of the board of the Denmark-America Foundation as well as a member of the Advisory Board of Danske Bank A/S.

Previously Henrik Poulsen was Chief Executive Officer and President of TDC A/S, Operating Executive at Capstone/KKR in London and has held various positions with Lego including executive Vice President of Markets and Products.

Education: Bachelor of Science in International Business and a Master in Finance and Accounting, both from Aarhus School of Business.

Competencies: International as well as executive management experience from large Danish companies.

Jo Taylor
First elected in August 2012.
Not independent. Born 1961.

Jo Taylor is Vice President and Senior Representative of the private capital team of Ontario Teachers' Pension Plan Board and head of its London office and holds various positions as director and President in its subsidiaries. In addition, Jo Taylor serves as chairman of the board of directors of Teodin Holdco AS (and one of its subsidiaries) as well as a member of the board of directors of Helly Hansen Group AS, Acorn Care 1 Ltd (and three of its subsidiaries), Eagle Holdco Ltd (and four of its subsidiaries), Frontier Holdco Ltd (and two of its subsidiaries), Premier Lotteries UK Ltd (and two of its subsidiaries), Camelot Business Solutions Ltd (and two of its subsidiaries), Busy Bees Benefits Holdings Ltd, JoKa Consulting Ltd and Kainos Software Ltd.

Previously Jo Taylor held a number of non-executive positions with both public and private companies following a 20-year career at 3i Group Plc, where he was head of venture, member of the Group Management and Investment Committees and CEO of a US investment subsidiary.

Education: Bachelor of Arts in History from the University of London and a Master of Science in Business Administration from Manchester Business School.

Competencies: Professional experience in investing in international companies, broad experience within private equity and wide ranging non-executive roles working with growing companies.

Andrew Evan Wolff
First elected in June 2013.
Not independent. Born 1969.

Andrew Evan Wolff is head of the Goldman Sachs Merchant Banking Division in Europe, the Middle East and Africa and co-head of Merchant Banking Division in APAC. In addition, Andrew Evan Wolff is a member of the board of directors of Hastings Insurance Group (Investment) Plc, Get AS and Taikang Life Insurance Co. Ltd.

Previously Andrew Evan Wolff was a member of the board of directors of Anhui Kouzi Distillery Co. Ltd, Geo Young Corporation, PagesJaunes Groupe SA, CS Wind Corporation, Leed International Education Group Inc., C&M Co. Ltd and Mindsay International Holdings Ltd.

Education: Bachelor in Philosophy from Yale University and a JD degree in law and a Master of Science in Business Administration, both from Harvard University.

Competencies: Experience investing across global markets and extensive global experience from serving on the boards of companies in the United States, Canada, Argentina, Brazil, Japan, China, Korea, France, Norway and Denmark.

Pernille Benborg (E)
Joined the Board in March 2011 as employee representative.
Not independent. Born 1970.

Pernille Benborg is Group Vice President and Head of Group Compliance since January 2007.

Previously Pernille Benborg held various positions with the ISS Group including as Vice President of Compliance and Group Financial Controller of Group Finance. Joined the ISS Group in 2000.

Education: Master of Science in Business Administration and Auditing from Copenhagen Business School.

Joseph Nazareth (E)
Joined the Board in March 2011 as employee representative.
Not independent. Born 1960.

Joseph Nazareth is Group Vice President and Head of Group Health, Safety and Environment and Corporate Responsibility since February 2010. Joined the ISS Group in 2010 from A.P. Møller-Mærsk, where he was Head of Group HSSE.

Education: Civil Engineering degree from McGill University and Master of Science in Business Administration from the University of Ottawa.

Palle Fransen Queck (E)
Joined the Board in March 2011 as employee representative.
Not independent. Born 1975.

Palle Fransen Queck is Group Vice President and Business Development Director, Central Europe since July 2012. Previously Palle Fransen Queck held various positions with the ISS Group including as Vice President of Process Improvement and Business Solutions. Joined the ISS Group in 2000.

Education: Bachelor of Science (Hons) in Engineering from Copenhagen University College of Engineering and a Master of Science in Business Administration (MBA) from Henley Business School.

All members of the Board of Directors, except employee representatives (E) are nominated for re-election at the annual general meeting.

Dominique Beauchamps
Team manager, Safran Aircelle
ISS France
In Toulouse, France, Dominique and his team of hard-working ISS employees are helping to reinforce Safran Aircelle's values of quality products, customer service and innovation. Dominique is dedicated to helping the customer achieve their goals.

"My hard work on the ground gets the customer ready for take-off"


In ISS we lead b
EMPOW

Financial statements

ISS HQ, New ways of working
The new headquarters is designed with activity-based seating. Working in an activity based way is all about providing everybody with a working environment that truly supports interaction and cross-function collaboration. Quiet zones are available for those who need to focus without being disturbed.

"I make sure the path is cleared for a great day at the office"

Raquel Espino
Supervisor, National Instruments
ISS USA

In Austin, Texas in the USA, Raquel and her team are taking care of the buildings and surroundings at National Instruments. Raquel enjoys keeping things in order and she likes that she gets to meet many different people in a workday.

The consolidated financial statements and notes

Consolidated income statement

1 January – 31 December

DKK million	Note	2013	2012	2011
Revenue	2.1, 2.2	**78,459**	**79,454**	**77,644**
Staff costs	2.4	(51,234)	(52,071)	(50,089)
Consumables		(6,949)	(7,009)	(6,751)
Other operating expenses	6.3	(15,174)	(15,110)	(15,561)
Depreciation and amortisation [1]	4.3, 8.2	(787)	(853)	(855)
Operating profit before other items [2]		**4,315**	**4,411**	**4,388**
Other income and expenses, net	2.5	(100)	(308)	(223)
Operating profit [1]	2.2	**4,215**	**4,103**	**4,165**
Share of result from equity-accounted investees		6	4	0
Financial income	5.7	170	217	197
Financial expenses	5.7	(2,446)	(2,943)	(2,999)
Profit before tax and goodwill impairment/amortisation and impairment of brands and customer contracts		**1,945**	**1,381**	**1,363**
Income taxes [3]	7.1	(919)	(960)	(888)
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts		**1,026**	**421**	**475**
Goodwill impairment	4.5	(985)	(385)	(501)
Amortisation and impairment of brands and customer contracts	4.3	(667)	(679)	(708)
Income tax effect [4]	7.1, 7.2	229	193	231
Net profit/(loss) for the year		**(397)**	**(450)**	**(503)**
Attributable to:				
Owners of ISS A/S		(399)	(453)	(510)
Non-controlling interests		2	3	7
Net profit/(loss) for the year		**(397)**	**(450)**	**(503)**
Earnings per share:				
Basic earnings per share (EPS), DKK	8.1	(2.9)	(4.0)	(5.1)
Diluted earnings per share, DKK	8.1	(2.9)	(4.0)	(5.1)
Adjusted earnings per share, DKK [5]	8.1	7.6	3.8	4.7

[1] Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[2] Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[3] Excluding tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[4] Income tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[5] Calculated as Profit before goodwill impairment/amortisation and impairment of brands and customer contracts divided by the average number of shares (diluted)

Consolidated statement of comprehensive income

1 January – 31 December

DKK million	Note	2013	2012	2011
Net profit/(loss) for the year		**(397)**	**(450)**	**(503)**
Other comprehensive income				
Items not to be reclassified to the income statement in subsequent periods:				
Actuarial gains/(losses)	8.4	410	(516)	(133)
Impact from asset ceiling regarding pensions	8.4	(63)	1	8
Tax	7.1	(76)	120	29
Items to be reclassified to the income statement in subsequent periods:				
Foreign exchange adjustments of subsidiaries and non-controlling interests		(796)	184	(46)
Fair value adjustment of hedges, net	5.6	4	(114)	(14)
Fair value adjustment of hedges, net, transferred to Financial expenses	5.6	80	52	106
Limitation to interest deduction	7.1	-	(16)	-
Tax	7.1	(21)	16	(23)
Total other comprehensive income/(loss)		**(462)**	**(273)**	**(73)**
Total comprehensive income/(loss) for the year		**(859)**	**(723)**	**(576)**
Attributable to:				
Owners of ISS A/S		(860)	(726)	(583)
Non-controlling interests		1	3	7
Total comprehensive income/(loss) for the year		**(859)**	**(723)**	**(576)**

Consolidated statement of cash flows

1 January – 31 December

DKK million	Note	2013	2012	2011
Operating profit before other items		4,315	4,411	4,388
Depreciation and amortisation	4.3, 8.2	787	853	855
Changes in working capital	3.1	80	116	(317)
Changes in provisions, pensions and similar obligations		(146)	(291)	(235)
Other expenses paid		(388)	(349)	(266)
Income taxes paid		(933)	(885)	(749)
Cash flow from operating activities		**3,715**	**3,855**	**3,676**
Acquisition of businesses	4.1	(14)	(60)	(89)
Divestment of businesses	4.1	2,183	212	761
Acquisition of intangible assets and property, plant and equipment		(902)	(881)	(1,103)
Disposal of intangible assets and property, plant and equipment		99	119	93
(Acquisition)/disposal of financial assets		(35)	(137)	6
Cash flow from investing activities		**1,331**	**(747)**	**(332)**
Proceeds from borrowings		4,425	81	468
Repayment of borrowings		(7,983)	(5,180)	(1,110)
Interest received		135	137	137
Interest paid		(1,734)	(2,373)	(2,361)
Proceeds from issuance of share capital		-	3,696	-
Non-controlling interests		(2)	(4)	(8)
Cash flow from financing activities		**(5,159)**	**(3,643)**	**(2,874)**
Total cash flow		**(113)**	**(535)**	**470**
Cash and cash equivalents at 1 January		3,528	4,037	3,606
Total cash flow		(113)	(535)	470
Foreign exchange adjustments		(138)	26	(39)
Cash and cash equivalents at 31 December		**3,277**	**3,528**	**4,037**

Consolidated statement of financial position

At 31 December

DKK million	Note	2013	2012	2011
Assets				
Intangible assets	4.3, 4.4	28,346	31,969	34,097
Property, plant and equipment	8.2	1,715	1,887	2,077
Investments in equity-accounted investees		5	11	7
Deferred tax assets	7.2	627	550	535
Other financial assets	8.3	302	427	300
Non-current assets		**30,995**	**34,844**	**37,016**
Inventories		309	312	334
Trade receivables	3.2	10,299	11,433	11,871
Tax receivables		204	207	330
Other receivables	3.3	1,542	1,295	1,227
Cash and cash equivalents		3,277	3,528	4,037
Assets classified as held for sale	4.2	1,950	2,269	165
Current assets		**17,581**	**19,044**	**17,964**
Total assets		**48,576**	**53,888**	**54,980**

DKK million	Note	2013	2012	2011
Equity and liabilities				
Total equity attributable to owners of ISS A/S		4,237	5,097	2,127
Non-controlling interests		9	10	12
Total equity	5.1	**4,246**	**5,107**	**2,139**
Loans and borrowings	5.2	20,416	24,011	28,181
Pensions and similar obligations	8.4	838	1,433	1,099
Deferred tax liabilities	7.2	1,590	1,755	2,051
Provisions	8.5	470	352	338
Non-current liabilities		**23,314**	**27,551**	**31,669**
Loans and borrowings	5.2	5,648	5,607	5,778
Trade payables		3,436	3,669	3,466
Tax payables		443	339	422
Other liabilities	3.4	10,156	10,657	11,161
Provisions	8.5	317	225	255
Liabilities classified as held for sale	4.2	1,016	733	90
Current liabilities		**21,016**	**21,230**	**21,172**
Total liabilities		**44,330**	**48,781**	**52,841**
Total equity and liabilities		**48,576**	**53,888**	**54,980**

Consolidated statement of changes in equity
1 January – 31 December

2013 DKK million	Attributable to owners of ISS A/S							
	Share capital	Share premium	Retained earnings	Trans-lation reserve	Hedging reserve	Total	Non-con-trolling interests	Total equity
Equity at 1 January	**135**	**11,430**	**(6,741)**	**367**	**(94)**	**5,097**	**10**	**5,107**
Comprehensive income for the year								
Net profit/(loss) for the year	**-**	**-**	**(399)**	**-**	**-**	**(399)**	**2**	**(397)**
Other comprehensive income								
Foreign exchange adjustments of subsidiaries and non-controlling interests	-	-	-	(795)	-	(795)	(1)	(796)
Fair value adjustment of hedges, net	-	-	-	-	4	4	-	4
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	-	80	80	-	80
Actuarial gains/(losses)	-	-	410	-	-	410	-	410
Impact from asset ceiling regarding pensions	-	-	(63)	-	-	(63)	-	(63)
Tax	-	-	(76)	-	(21)	(97)	-	(97)
Total other comprehensive income/(loss)	**-**	**-**	**271**	**(795)**	**63**	**(461)**	**(1)**	**(462)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(128)**	**(795)**	**63**	**(860)**	**1**	**(859)**
Transactions with owners								
Dividends paid	-	-	-	-	-	-	(2)	(2)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**
Total changes in equity	**-**	**-**	**(128)**	**(795)**	**63**	**(860)**	**(1)**	**(861)**
Equity at 31 December	**135**	**11,430**	**(6,869)**	**(428)**	**(31)**	**4,237**	**9**	**4,246**

Dividends
No dividends have been proposed or declared before the Annual Report was issued.

Consolidated statement of changes in equity

1 January – 31 December

2012 DKK million	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Total	Non-controlling interests	Total equity
	Attributable to owners of ISS A/S							
Equity at 1 January	**100**	**7,772**	**(5,896)**	**183**	**(32)**	**2,127**	**12**	**2,139**
Comprehensive income for the year								
Net profit/(loss) for the year	**-**	**-**	**(453)**	**-**	**-**	**(453)**	**3**	**(450)**
Other comprehensive income								
Foreign exchange adjustments of subsidiaries and non-controlling interests	-	-	-	184	-	184	0	184
Fair value adjustment of hedges, net	-	-	-	-	(114)	(114)	-	(114)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	-	52	52	-	52
Actuarial gains/(losses)	-	-	(516)	-	-	(516)	-	(516)
Impact from asset ceiling regarding pensions	-	-	1	-	-	1	-	1
Limitation to interest deduction	-	-	-	-	(16)	(16)	-	(16)
Tax	-	-	120	-	16	136	-	136
Total other comprehensive income/(loss)	**-**	**-**	**(395)**	**184**	**(62)**	**(273)**	**0**	**(273)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(848)**	**184**	**(62)**	**(726)**	**3**	**(723)**
Transactions with owners								
Share issue	35	3,686	-	-	-	3,721	-	3,721
Costs related to the share issue	-	(28)	-	-	-	(28)	-	(28)
Impact from acquired and divested companies, net	-	-	-	-	-	-	(1)	(1)
Dividends paid	-	-	-	-	-	-	(4)	(4)
Share-based payments	-	-	3	-	-	3	-	3
Total transactions with owners	**35**	**3,658**	**3**	**-**	**-**	**3,696**	**(5)**	**3,691**
Total changes in equity	**35**	**3,658**	**(845)**	**184**	**(62)**	**2,970**	**(2)**	**2,968**
Equity at 31 December	**135**	**11,430**	**(6,741)**	**367**	**(94)**	**5,097**	**10**	**5,107**

Dividends

No dividends have been proposed or declared before the Annual Report was issued.

Consolidated statement of changes in equity

1 January – 31 December

2011 DKK million	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Total	Non-controlling interests	Total equity
	Attributable to owners of ISS A/S							
Equity at 1 January	**100**	**7,772**	**(5,276)**	**227**	**(197)**	**2,626**	**25**	**2,651**
Change in accounting policy due to implementation of IAS 19 (2011)	-	-	81	2	-	83	-	83
Adjusted equity at 1 January	**100**	**7,772**	**(5,195)**	**229**	**(197)**	**2,709**	**25**	**2,734**
Comprehensive income for the year								
Net profit/(loss) for the year	-	-	(510)	-	-	(510)	7	(503)
Other comprehensive income								
Foreign exchange adjustments of subsidiaries and non-controlling interests	-	-	-	(46)	-	(46)	0	(46)
Adjustment relating to previous years	-	-	(96)	-	96	-	-	-
Fair value adjustment of hedges, net	-	-	-	-	(14)	(14)	-	(14)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	-	106	106	-	106
Actuarial gains/(losses)	-	-	(133)	-	-	(133)	-	(133)
Impact from asset ceiling regarding pensions	-	-	8	-	-	8	-	8
Tax	-	-	29	-	(23)	6	-	6
Total other comprehensive income/(loss)	**-**	**-**	**(192)**	**(46)**	**165**	**(73)**	**0**	**(73)**
Total comprehensive income/(loss) for the year	**-**	**-**	**(702)**	**(46)**	**165**	**(583)**	**7**	**(576)**
Transactions with owners								
Impact from acquired and divested companies, net	-	-	-	-	-	-	(12)	(12)
Dividends paid	-	-	-	-	-	-	(8)	(8)
Share-based payments	-	-	1	-	-	1	-	1
Total transactions with owners	**-**	**-**	**1**	**-**	**-**	**1**	**(20)**	**(19)**
Total changes in equity	**-**	**-**	**(701)**	**(46)**	**165**	**(582)**	**(13)**	**(595)**
Equity at 31 December	**100**	**7,772**	**(5,896)**	**183**	**(32)**	**2,127**	**12**	**2,139**

Dividends

No dividends have been proposed or declared before the Annual Report was issued.

Section 1
Basis of preparation

In 2013, significant changes to the structure of the consolidated financial statements have been implemented with the aim to ensure a more readable report with a logical structure taking the characteristics of ISS's business into account. The notes have been grouped into eight sections based on theme rather than in consecutive order based on line items in the primary statements. Furthermore, compared to prior years a number of notes have been excluded from the consolidated financial statements based on a reassessment of materiality as described below in "Defining materiality". Finally, the Group's accounting policies as well as critical accounting estimates and judgements (in prior years note 1 and note 2) are included in the beginning of each relevant section or note.

Due to the intended Initial Public Offering (IPO) and the requirement of two years of comparative figures in the offering circular, the consolidated financial statements for 2013 including notes contain two years of comparative figures. These comparative figures for the financial years 2012 and 2011 have been derived from the published consolidated financial statements for 2012 and 2011, respectively, as prepared and approved by the Executive Group Management Board and the Board of Directors on 7 March 2013 and 5 March 2012, respectively. These comparative figures have been restated due to certain amendments to IAS 19 as adopted by EU, cf. note 1.1, Basis of preparation, below.

Included in this section are required disclosures relevant for the understanding of the basis of preparation of the consolidated financial statements, i.e.:

- **Reporting entity**
- **Statement of compliance**
- **Functional and presentation currency**
- **Basis of measurement**
- **Defining materiality**
- **Changes in accounting policies for 2013, 2012 and 2011**
- **Going concern**
- **Basis of consolidation**
- **Foreign currency**
- **Accounting policies, i.e. policies not relevant for a specific section**
- **Equity**
- **Use of critical accounting estimates and judgements**
- **Financial risk management**

NOTE 1.1 Basis of preparation

Reporting entity
ISS A/S is a company domiciled in Denmark. The consolidated financial statements of ISS A/S as of and for the year ended 31 December 2013 comprise ISS A/S and its subsidiaries (together referred to as "the Group") and the Group's interests in equity-accounted investees.

A group chart is included in note 8.11, Subsidiaries, associates, joint ventures and SPEs.

Statement of compliance
The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and Danish disclosure requirements for consolidated financial statements (class D).

In addition, the consolidated financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The Annual Report for ISS A/S for 2013 was discussed and approved by the Executive Group Management Board (the EGM) and the Board of Directors (the Board) on 3 March 2014 and issued for approval at the subsequent Annual General Meeting on 3 March 2014.

Functional and presentation currency
The consolidated financial statements are presented in Danish kroner (DKK), which is ISS A/S's functional currency. All amounts have been rounded to nearest DKK million, unless otherwise indicated.

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which are measured at fair value; derivatives, financial instruments designated as fair value through the income statement and financial assets classified as available for sale.

Defining materiality
The income statement and the statement of financial position separately present items that are considered individually significant, or are required under the minimum presentation requirements of IAS 1.

In determining whether an item is individually significant ISS considers both quantitative and qualitative factors. If the presentation or disclosure of an item does not increase the value of information to users, the information is considered insignificant.

NOTE 1.1 Basis of preparation (continued)

Explanatory disclosure notes related to the income statement, the statement of financial position and the statement of cash flows are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

Changes in accounting policies 2013

Except for the changes below, the Group has consistently applied the accounting policies set out below to all periods presented in these consolidated financial statements. However, based on new information minor adjustments to comparative figures in primary statements and notes have been implemented.

With effect from 1 January 2013, the Group has implemented:

- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income";
- Amendments to IFRS 7 "Financial Instrument Disclosure";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IAS 27 (2011) "Separate Financial Statements";
- Amendments to IAS 27 (2011) "Separate Financial Statements";
- IAS 28 (2011) "Investments in Associates and Joint Ventures";
- IFRS 13 "Fair Value Measurement";
- IAS 19 (2011) "Employee Benefits";
- Amendments to IAS 36 "Impairment of Assets"; and
- Annual improvements to IFRSs 2009-2011 cycle.

As a result of the amendments to **IAS 1**, the Group has modified the presentation of items of Other comprehensive income to present separately items that would be reclassified to the income statement from those that would never be. Comparative figures have been restated accordingly.

As a result of **IFRS 10** the Group changed the accounting policy for determining whether it has control over and consequently whether it consolidates its investees. The new standard introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provision of IFRS 10 the Group reassessed the control conclusion for its investees in 2013. The reassessment had no quantitative impact on the Group's consolidated financial statements.

IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard impacted the Group by replacing proportionate consolidation of the Group's joint ventures with the equity method of accounting. The implementation did not have a material impact on the Group's consolidated financial statements.

IFRS 13 changes the principles for calculation of fair value of financial and non-financial assets and liabilities and introduces a number of new disclosure requirements. The Group already complies with the fair value calculation principles. Consequently, the new standard only affects disclosure requirements for the Group.

The **amendments to IAS 19** results in interest income no longer being calculated and recognised in the income statement on the basis of the expected return on plan assets, but instead by using the applied liability discount rate. Furthermore, risk sharing between the Group and the plan participants has been changed. Comparative figures have been restated and the impact on Equity is shown in the statement of changes in equity. The impact on the income statement was an increase in financial expenses of DKK 8 million in 2012 and a reduction in financial expenses of DKK 5 million in 2011. Net of tax the implementation increased Net loss for the year from DKK 444 million to DKK 450 million in 2012 and reduced Net loss for the year from DKK 507 million to DKK 503 million in 2011.

Except for IFRS 11 and IAS 19, the adoption of these standards and interpretations did not affect recognition and measurement in the consolidated financial statements for 2013.

Changes in accounting policies 2012

With effect from 1 January 2012, the Group has implemented:

- Amendments to IFRS 7 "Financial Instrument Disclosures";
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"; and
- Amendments to IAS 12 "Deferred tax" (Recovery of Underlying Assets).

The adoption of these Standards and Interpretations did not affect recognition and measurement for 2012 including earnings per share and diluted earnings per share.

Changes in accounting policies 2011

With effect from 1 January 2011, the Group has implemented:

- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement";
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments";
- Revised IAS 24 "Related Party Disclosures";
- Amendments to IAS 32 "Classification of Rights Issues";
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"; and
- Improvements to IFRSs (May 2010).

The adoption of these Standards and Interpretations did not affect recognition and measurement in the consolidated financial statements for 2011 including earnings per share and diluted earnings per share.

Change in classification In 2011, the Group changed the classification of interest on defined benefit plans (interest on obligation and expected return on plan assets) and interest on other long-term employee benefits from Staff costs to Financial expenses to reflect more appropriately the nature of these items and the way they affect the business. The change in classification increased Operating profit before other items with DKK 36 million but had zero impact on Net profit/(loss) for the year. Comparative figures were reclassified for consistency, which resulted in DKK 43 million being reclassified from Staff costs to Financial expenses, i.e. Operating profit before other items was increased by DKK 43 million but Net profit/(loss) for the year was unchanged.

Going concern

The Board and the EGM have during the preparation of the consolidated financial statements of the Group assessed the going concern assumption. The Board and the EGM believe that no events or conditions give rise to doubt about the ability of the Group to continue in operation within the next reporting period. The conclusion is made based on knowledge of the Group, the estimated economic outlook and identified risks and uncertainties in relation thereto. Further, the conclusion is based on review of budgets, including expected development in liquidity and capital etc., current credit facilities available including contractual and expected maturities and covenants. Consequently, it has been concluded that it is reasonable to apply the going concern concept as underlying assumption for the consolidated financial statements of the Group.

NOTE 1.1 Basis of preparation (continued)

Basis of consolidation

Subsidiaries are entities controlled by ISS A/S. ISS A/S controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

The non-controlling interest's share of the net profit/loss for the year and of the equity of subsidiaries, which are not wholly owned, are included in the Group's net profit/(loss) and equity, respectively, but is disclosed separately. By virtue of agreement certain non-controlling shareholders are only eligible of receiving benefits from their non-controlling interest when ISS as controlling shareholder has received their initial investment and compound interest on such. In such instances the subsidiaries' result and equity are fully allocated to ISS until the point in time where ISS has recognised amounts exceeding their investment including compound interest on such.

At initial recognition a non-controlling interest is measured at fair value or at its proportionate interest in the fair value of the net assets acquired. The measurement principle is elected on a transaction-by-transaction basis and is disclosed in the notes together with the description of the acquired businesses.

Written put options held by non-controlling shareholders are accounted for in accordance with the anticipated acquisition method, i.e. as if the put option has been exercised already. Such options are recognised as Other liabilities initially at fair value. Fair value is measured at the present value of the exercise price of the option.

Subsequent fair value adjustments of put options held by non-controlling interests relating to business combinations effected on or after 1 January 2010 are recognised directly in equity. Subsequent fair value adjustments of put options held by non-controlling interests related to business combinations effected prior to 1 January 2010 are recognised in goodwill. The effect of unwind of discount is recognised under Financial expenses.

Upon **loss of control** the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

The Group's **interests in equity-accounted investees** comprise interests in associates and joint ventures.

Associates are entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Transactions eliminated on consolidation On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency

Transactions denominated in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the respective functional currencies of the Group companies at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement under Financial income or Financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date of transaction or the exchange rate in the latest financial statements is recognised in the income statement under Financial income or Financial expenses.

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, the income statements and statements of cash flows are translated at the exchange rates at the transaction date and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities at the exchange rates at the reporting date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and presented in equity under a separate translation reserve. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

Foreign exchange gains and losses on the part of loans and derivative financial instruments which are designated as hedges of investments in foreign entities with a functional currency other than DKK and which effectively hedge against corresponding foreign exchange gains and losses on the investment in the entity are also recognised in other comprehensive income and presented in equity under a separate translation reserve.

Accounting policies

The Group's significant accounting policies and accounting policies related to IAS 1 minimum presentation items are described in the relevant individual notes to the consolidated financial statements or otherwise stated below. A list of the notes is shown in the overview on page 89.

Presentation of income statement The consolidated income statement is presented in accordance with the "nature of expense" method. Goodwill impairment and Amortisation and impairment of brands and customer contracts as well as the Income tax effect hereof are presented in separate line items after Operating profit. This income statement presentation is considered most appropriately to reflect the Group's profitability.

NOTE 1 Basis of preparation (continued)

Presentation of statement of cash flows The consolidated statement of cash flows shows the Group's cash flows from operating, investing and financing activities for the year. Interest paid and received is include in cash flow from financing activities as this most appropriately reflects the distinction between operating and financing activities following the acquisition of ISS World Services A/S by ISS A/S.

Inventories are measured at the lower of cost under the FIFO principle and net realisable value. Net realisable value of inventories is calculated as the estimated selling price less costs of completion and costs necessary to complete the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Share-based payments The value of services received in exchange for granted warrants is measured at fair value. The fair value of equity-settled programmes is measured at grant date and recognised over the vesting period.

The fair value of the warrants granted is measured using the Black-Scholes option pricing model based on the terms and conditions on which they were granted. Service and non-market vesting conditions are not taken into account when estimating the fair value, but are considered when estimating the number of warrants expected to vest.

Other long-term employee benefits The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in current and prior periods. That benefit is discounted to determine its present value. Gains and losses on remeasurement are recognised in the income statement in the period in which they arise.

Equity

Share premium comprises amounts above the nominal share capital paid by shareholders when shares are issued by ISS A/S. The share premium is part of the Group's free reserves.

Translation reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign entities with a functional currency other than DKK as well as from the translation of non-current balances which are considered part of the investment in foreign entities.

On full or partial realisation of a foreign entity where control is lost the foreign exchange adjustments are transferred to the income statement under the same line item as the gain or loss.

Hedging reserve comprises the effective portion of the cumulative net change after tax in the fair value of cash flow hedging instruments which fulfil the criteria for hedging of future cash flows, when the hedged transactions have not yet occurred.

Dividends are recognised as a liability at the date when they are adopted at the Annual General Meeting (declaration date). Dividends proposed for the year are shown in a separate reserve under Equity.

Interim dividends are recognised as a liability at the date when the decision to pay interim dividend is made.

Use of critical accounting estimates and judgements

In preparing these consolidated financial statements, management has made various judgements, estimates and assumptions concerning future events that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking the financial market situation into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations of the future.

Information about judgement, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following notes:

- Revenue (note 2.1)
- Other income and expenses, net (note 2.5)
- Trade receivables and related credit risk (note 3.2)
- Acquisition and divestment of businesses (note 4.1)
- Assets held for sale (note 4.2)
- Impairment tests (note 4.4)
- Deferred tax (note 7.2)
- Pensions and similar obligations (note 8.4)
- Provisions (note 8.5)

Financial risk management

The Group is exposed to a number of financial risks arising from its operating and financing activities, mainly currency risk, interest rate risk, liquidity risk and credit risk. These financial risks are managed centrally by Group Treasury based on the treasury policy. The treasury policy is reviewed annually and approved by the Board. Additionally, the treasury policy complies with current loan documentation, e.g. the Senior Facility Agreement and the Intercreditor Agreement.

It is not the Group's policy to take speculative positions in the financial markets. The Group's financial risk management is focused on managing risks arising from the Group's operating and financing activities, mainly by use of interest rate instruments and currency instruments with the purpose of managing volatility in the Group's results.

The areas involving the most significant financial risks are trade receivables, loans and borrowings and financial income and expenses. Information about the Group's objectives, policies and processes for measuring and managing the risk exposure related to these items is included in these notes:

- Trade receivables and related credit risk (note 3.2)
- Liquidity risk (note 5.3)
- Currency risk (note 5.4)
- Interest rate risk (note 5.5)

The Group has not identified additional financial risk exposures in 2013 compared to 2012 and 2011, and the approach to capital management and risk management activities is unchanged compared with 2012 and 2011.

The Group is exposed to risk in relation to translation into DKK of income statements and net assets of foreign subsidiaries, including intercompany items such as loans, royalties, management fees and interest payments between entities with different functional currencies, since a significant portion of the Group's revenue and operating profit is generated in foreign entities. This risk is described in the following note:

- Translation and operational currency risk (note 2.3)

To limit the exposure to credit risk related to securities, cash and cash equivalents it is Group policy only to enter into transactions with financial institutions carrying a minimum required short-term credit rating assigned by Standard & Poor's (S&P) (A-1 rating) or Moody's (P-1 rating). Other banks may be approved separately by Group Treasury. Group Treasury monitors credit ratings and given that the Group generally enters into transactions only with financial institutions with high credit ratings, management assesses that sufficient steps are taken in order to mitigate potential counterparties failing to meet contractual obligations.

Section 2
Operating profit

This section comprise notes which provide specifications and explanations related to the composition of the Group's operating profit for the year, including disclosures on revenue and operating segments. Segment information is presented in three ways: reportable segments, service types, and geographical information.

In this section, the following notes are presented:

NOTE 2.1 Revenue

Accounting policy
Revenue from rendering services is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. Revenue is recognised when the recovery of the consideration is probable and when, the amount of revenue, the stage of completion, the costs incurred for the transaction, and the costs to complete the transaction can be measured reliably.

The stage of completion of a contract is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Revenue from the sale of goods in the course of the ordinary activities is recognised in the income statement provided that all significant risks and rewards of ownership have been transferred to the customer, and that the amount can be measured reliably.

Revenue is measured at fair value of the consideration received less VAT and duties as well as price and quantity discounts.

Critical accounting estimates and judgements
Management makes estimates and judgement in relation to presentation of revenue as gross or net as well as in relation to treatment of significant contracts.

In some instances ISS will serve as reseller of goods such as cleaning materials, cleaning equipment etc. or provide staff for canteens selling food etc. In other instances services on an ISS contract will be delivered to the customer through a subcontractor of ISS. The issue is whether revenue should be presented gross or net, i.e. based on the gross amount billed to the customer, or based on the net amount retained (the amount billed to the customer less the amount paid to the supplier). To determine whether revenue should be presented gross or net of costs incurred management considers whether ISS is acting in the capacity of an agent or a principal, which requires judgement in the evaluation of relevant facts and circumstances.

The Group has entered into certain significant contracts with complex revenue and cost structures. Accounting for these contracts requires management's judgement in terms of recognition of the individual items of revenue and costs, including recognition in the correct periods over the term of the contract.

Specification of revenue

DKK million	2013	2012	2011
Rendering of services	76,105	76,987	75,019
Sale of goods	2,354	2,467	2,625
Revenue	**78,459**	**79,454**	**77,644**

NOTE 2.2 Segment information

ISS is a global facility services company, that operates in more than 50 countries and delivers a wide range of services within the areas cleaning services, support services, property services, catering services, security services and facility management.

Operations are generally managed based on a geographical structure in which countries are grouped into seven regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. However, countries with activities managed by the Global Corporate Clients organisation are excluded from the geographical segments and combined in a separate segment called "Other countries".

Accounting policy

The accounting policies of the reportable segments are the same as the Group's accounting policies described throughout the notes. Segment revenue, costs, assets and liabilities comprise items that can be directly referred to the individual segments. Unallocated items mainly consist of revenue, costs, assets and liabilities relating to the Group's Corporate functions as well as Financial income, Financial expenses and Income taxes.

For the purpose of segment reporting, segment profit has been identified as Operating profit (before Goodwill impairment and Amortisation and impairment of brands and customer contracts). Segment assets and segment liabilities have been identified as Total assets and Total liabilities, respectively.

When presenting geographical information segment revenue and non-current assets are based on the geographical location of the individual subsidiary from which the sales transaction originates.

Reportable segments

The segment reporting is prepared in a manner consistent with the Group's internal management and reporting structure. A reconciliation of total reportable segments to the income statement and statement of financial position is provided in note 8.8, Reconciliation of segment information.

Transactions between reportable segments are made on market terms.

2013 DKK million	Western Europe	Nordic	Asia	Pacific	Latin America	North America	Eastern Europe	Other countries	Total reportable segments
Revenue [1]	39,704	16,853	8,019	5,105	3,708	3,459	1,657	38	78,543
Depreciation and amortisation [2]	(381)	(170)	(67)	(64)	(45)	(17)	(17)	-	(761)
Operating profit before other items [3]	2,388	1,246	608	253	145	101	109	(1)	4,849
Other income and expenses, net	(148)	11	(45)	499	(175)	(173)	(5)	-	(36)
Operating profit [2]	2,240	1,257	563	752	(30)	(72)	104	(1)	4,813
Goodwill impairment	(822)	-	-	(133)	-	(30)	-	-	(985)
Amortisation and impairment of brands and customer contracts	(401)	(124)	(44)	(40)	(10)	(32)	(16)	-	(667)
Total assets	28,270	14,822	4,215	2,640	1,484	1,792	1,297	8	54,528
Hereof assets classified as held for sale	1,373	303	122	152	-	-	-	-	1,950
Additions to non-current assets [4]	485	180	87	91	30	13	11	-	897
Total liabilities	18,901	8,766	1,785	1,637	1,796	1,085	527	8	34,505
Hereof liabilities classified as held for sale	800	131	16	69	-	-	-	-	1,016

1) Including internal revenue which due to the nature of the business is insignificant and is therefore not disclosed.
2) Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
3) Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
4) Additions to non-current assets comprise additions to Intangible assets and Property, plant and equipment including acquisitions through business combinations.

NOTE 2.2 Segment information (continued)

2012 DKK million	Western Europe	Nordic	Asia	Pacific	Latin America	North America	Eastern Europe	Other countries	Total reportable segments
Revenue 1)	39,414	17,736	7,367	6,007	3,820	3,539	1,605	36	79,524
Depreciation and amortisation 2)	(391)	(206)	(80)	(62)	(51)	(20)	(19)	-	(829)
Operating profit before other items 3)	2,407	1,190	564	311	91	151	102	(1)	4,815
Other income and expenses, net	(72)	27	(23)	(2)	(128)	(62)	-	-	(260)
Operating profit 2)	2,335	1,217	541	309	(37)	89	102	(1)	4,555
Goodwill impairment	(372)	-	(13)	-	-	-	-	-	(385)
Amortisation and impairment of brands and customer contracts	(372)	(146)	(54)	(44)	(12)	(32)	(19)	-	(679)
Total assets	30,144	15,576	4,452	3,674	1,732	1,838	1,292	9	58,717
Hereof assets classified as held for sale	873	928	145	323	-	-	-	-	2,269
Additions to non-current assets 4)	519	195	107	96	45	8	12	-	982
Total liabilities	20,944	9,666	1,997	2,800	1,793	876	535	8	38,619
Hereof liabilities classified as held for sale	194	415	20	104	-	-	-	-	733

2011 DKK million	Western Europe	Nordic	Asia	Pacific	Latin America	North America	Eastern Europe	Other countries	Total reportable segments
Revenue 1)	39,321	18,085	6,090	5,525	3,648	3,369	1,641	30	77,709
Depreciation and amortisation 2)	(362)	(240)	(65)	(52)	(38)	(16)	(21)	-	(794)
Operating profit before other items 3)	2,268	1,268	486	358	215	116	107	(1)	4,817
Other income and expenses, net	(72)	61	(4)	(3)	(20)	(53)	(0)	-	(91)
Operating profit 2)	2,196	1,329	482	355	195	63	107	(1)	4,726
Goodwill impairment	(478)	(23)	-	-	-	-	-	-	(501)
Amortisation and impairment of brands and customer contracts	(370)	(168)	(55)	(45)	(14)	(34)	(22)	-	(708)
Total assets	30,584	14,902	4,250	3,545	1,972	1,833	1,338	6	58,430
Hereof assets classified as held for sale	165	-	-	-	-	-	-	-	165
Additions to non-current assets 4)	539	222	56	119	81	26	19	-	1,062
Total liabilities	20,913	9,403	1,958	2,682	1,612	1,404	624	5	38,601
Hereof liabilities classified as held for sale	90	-	-	-	-	-	-	-	90

1-4) Refer to the segment reporting for 2013

NOTE 2.2 Segment information (continued)

Grouping of countries into regions

Western Europe:	Austria, Belgium & Luxembourg, France, Germany, Greece, Ireland, Israel, Italy, the Netherlands, Portugal, Spain, Switzerland, Turkey and the United Kingdom
Nordic:	Denmark, Finland, Greenland, Iceland, Norway and Sweden
Asia:	Brunei, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, Taiwan and Thailand
Pacific:	Australia and New Zealand
Latin America:	Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Puerto Rico, Uruguay and Venezuela
North America:	Canada and the USA
Eastern Europe:	Croatia, the Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia and Slovenia
Other countries:	Bahrain, Cayman Islands, Cyprus, Egypt, Morocco, Nigeria, Pakistan, Qatar, Saudi Arabia, South Africa, South Korea, Ukraine and the United Arab Emirates

Service types

The Group's revenue derives from the following service types:

DKK million	2013	2012	2011
Cleaning services	38,494	39,514	39,470
Property services	15,307	14,987	15,003
Catering services	8,535	8,558	7,710
Support services	6,514	6,607	6,162
Security services	6,316	6,418	5,767
Facility management	3,293	3,370	3,532
Revenue	**78,459**	**79,454**	**77,644**

Geographical information

Revenue and non-current assets (excluding deferred tax assets) is specified below for each of the Group's significant countries [1]:

	2013		2012		2011	
DKK million	Revenue	Non-current assets	Revenue	Non-current assets	Revenue	Non-current assets
United Kingdom	9,322	3,184	8,792	3,304	7,835	3,246
France	7,122	3,304	7,248	4,554	7,560	4,981
Norway	5,762	2,165	6,080	2,420	5,940	2,910
Australia	4,572	1,606	5,476	2,072	5,033	2,334
Spain	4,173	1,445	4,410	1,384	4,467	1,617
Switzerland	4,005	1,618	3,471	1,645	3,323	1,779
Finland	3,986	2,892	4,131	2,965	4,154	3,020
Sweden	3,948	2,031	4,047	2,129	4,172	2,058
Denmark (country of domicile)	2,965	2,118	3,293	2,217	3,640	2,307
Other countries [2]	32,604	10,005	32,506	11,604	31,520	12,229
Total	**78,459**	**30,368**	**79,454**	**34,294**	**77,644**	**36,481**

[1] In this context significant countries are defined as countries representing 5% or more of the Group's revenue.
[2] Including unallocated items and eliminations.

Major customers

No customer comprises more than 10% of the Group's external revenue in 2013 (2012/2011: none/none).

NOTE 2.3 Translation and operational currency risk

The Group is exposed to a low level of currency risk on transaction level, since the services are produced, delivered and invoiced in the same local currency with minimal exposure from imported components. The Group is, however, exposed to risk in relation to translation into DKK of income statements and net assets of foreign subsidiaries, including intercompany items such as loans, royalties, management fees and interest payments between entities with different functional currencies, since a significant portion of the Group's revenue and operating profit is generated in foreign entities.

In 2013, the currencies in which the Group's revenue was denominated decreased with an average of 3.3% (2012/2011: increased with 2.4%/0.4%) relative to DKK, decreasing the Group's revenue by DKK 2,094 million (2012/2011: an increase of DKK 1,966 million/DKK 432 million). Currency movements decreased the Group's operating profit before other items by DKK 126 million (2012/2011: an increase of DKK 127 million/DKK 41 million). The effect of the translation of net assets in foreign subsidiaries decreased other comprehensive income by DKK 796 million (2012/2011: an increase of DKK 184 million/a decrease of DKK 46 million).

Sensitivity analysis It is estimated that a change in foreign exchange rates of the Group's main currencies would have impacted revenue, operating profit before other items and other comprehensive income by the amounts shown below. The analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is prepared on the same basis for 2012 and 2011.

	2013				2012			
DKK million	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries
GBP	10%	929	66	308	10%	877	60	287
AUD	10%	457	23	94	10%	548	29	76
CHF	5%	200	17	74	10%	347	38	115
USD	10%	337	10	78	10%	347	16	98
NOK	5%	288	21	65	5%	304	22	62
EUR	1%	266	14	59	1%	278	15	57
TRY	10%	241	18	28	10%	221	16	43
SEK	5%	197	15	56	5%	202	14	52
Other	10%	1,548	94	332	10%	1,480	81	358
Total	**-**	**4,463**	**278**	**1,094**	**-**	**4,604**	**291**	**1,148**

	2011			
DKK million	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries
GBP	10%	781	54	255
AUD	10%	503	34	75
CHF	10%	332	32	144
USD	10%	330	12	44
NOK	5%	297	21	50
EUR	1%	293	15	64
TRY	10%	184	13	36
SEK	5%	209	15	45
Other	10%	1,321	87	378
Total	**-**	**4,250**	**283**	**1,091**

NOTE 2.4 Staff costs

DKK million	2013	2012	2011
Wages and salaries	40,824	41,577	39,756
Defined benefit plans	139	64	159
Defined contribution plans	1,830	1,868	1,839
Social security costs	5,936	6,084	6,111
Other employee benefits	2,505	2,478	2,224
Staff costs	**51,234**	**52,071**	**50,089**
Average number of employees	**533,792**	**536,731**	**533,573**

The Group received government grants in the form of wage subventions, which have been recognised in the income statement as a reduction of staff costs. The grants compensate the Group for staff costs primarily related to social security as well as hiring certain categories of employees such as trainees, disabled persons, long-term unemployed and employees in certain age groups.

NOTE 2.5 Other income and expenses, net

Accounting policy

Other income and expenses, net consists of income and expenses, both recurring and non-recurring, that the Group does not consider to be part of normal ordinary operations, such as gains and losses arising from divestments, remeasurement of disposal groups classified as held for sale, the winding-up of operations, disposals of property, restructurings and acquisition and integration costs. Acquisition costs comprise earn-out adjustments, direct acquisition costs related to external advisors and other acquisition-related items such as subsequent adjustments to opening balances. Integration costs comprise costs incurred as a consequence of the integration such as termination of employees, contract termination costs mainly related to leasehold and advisory fees.

Critical accounting estimates and judgements

The use of Other income and expenses, net entails management judgement in the separation from the normal ordinary operations of the Group. When using Other income and expenses, net it is crucial that these constitute items that can not be attributed directly to the Group's ordinary operating activities.

Specification of other income and expenses, net

DKK million	2013	2012	2011
Gain on divestments	806	83	90
Other	5	19	16
Other income	**811**	**102**	**106**
Restructuring projects	(379)	(187)	(66)
Onerous contracts	(228)	-	-
Labour related claims	(100)	-	-
Loss on divestments	(72)	(42)	(24)
Build-up of IFS capabilities in North America	(50)	(62)	(52)
Costs related to exit processes	(15)	(2)	(111)
Misstatement of accounts	-	(98)	-
Revised estimate for social security contributions prior years	-	-	(47)
Other	(67)	(19)	(29)
Other expenses	**(911)**	**(410)**	**(329)**
Other income and expenses, net	**(100)**	**(308)**	**(223)**

NOTE 2.5 Other income and expenses, net (continued)

Gain on divestments in 2013 related to a number of divestments, most significantly the pest control activities in 12 countries and the Nordic damage control activities. In 2012, the gain mainly related to the sale of Reaktorskolen AS, the governmental outplacing services in Norway, and the washroom activities in the Netherlands and Belgium & Luxembourg. In 2011, the gain mainly related to the divestment of the coffee vending business in Norway and Denmark and the sale of the industry service activities in Finland.

Restructuring projects in 2013 related to structural adjustments in a number of countries, mainly the United Kingdom, Greece, France, Brazil, Denmark and the USA. The restructuring projects include cost reductions to make ISS more efficient going forward and primarily comprise redundancy payments, termination of leaseholds, relocation costs, exceptional provisions for impairment losses on receivables as well as redundancy and severance payments relating to senior management changes. In 2012, costs mainly related to structural adjustments in France, Norway, Brazil and the Netherlands, consolidation of office locations and other efficiency improvements in Norway as well as redundancy and severance payments relating to senior management changes. In 2011, costs related to a number of projects in Brazil, Finland, Norway, the Netherlands and at Corporate covering consolidation of office locations and other efficiency improvements as well as changes in the organisational setup.

Onerous contracts related to the expected losses on a few large specific contracts which were entered into in previous years. Following recent development in assumptions it is not considered probable that the contracts will be profitable over the lifetime.

Labour related claims consisted of claims related to previous years on specific contracts.

Loss on divestments in 2013 related to a number of divestments, mainly occupational health and safety (Arbo) activities in the Netherlands and building services and hardware services in Belgium as well as the remeasurement of net assets of the security activities in Israel in connection with the classification as held for sale as per 31 December 2013. In 2012, the loss mainly related to the landscaping activities in the Netherlands and the mailroom services in France. In 2011, the loss mainly related to the sale of the industrial services business in Belgium.

Build-up of IFS capabilities in North America comprised costs incurred in relation to the strategic build-up of the IFS platform to support and deliver on major contracts in the USA. The build-up of the IFS platform was completed in 2013.

Costs related to exit processes comprised costs for external advisors. In 2013, the costs related to the initiated IPO process, which was announced on 18 February 2014. In 2012 and 2011, the costs primarily related to the initiated IPO process announced in February 2011 and subsequently cancelled in March 2011 due to the extraordinarily high level of uncertainty and volatility in the global financial markets.

Misstatement of accounts in 2012, related to Uruguay, India and Mexico. The loss was a result of the expansion of the businesses in these high-growth markets not being sufficiently supported by a satisfactory control environment.

Revised estimate for social security contributions prior years in 2011 related to Greece for the period 2006 to 2010.

Section 3
Working capital

Cash flows and in particular working capital is given high priority at ISS. Our approach to managing working capital is structured and well proven through continued delivery of steady cash flows reflected in cash conversion of 102% in 2013 which is consistent with performance in prior years with cash conversion realised in the range of 93% to 103% in the period from 2008 to 2012.

The approach to improving capital efficiency consists primarily of the following tools: i) working capital projects which focus on the order-to-cash process and in particular sharing of best practices within the Group, creating awareness of the different components influencing working capital and strengthening internal training to continue anchoring the cash flow culture across various functions (sales, operations, finance etc.); ii) particular focus on trade receivables, especially overdue receivables and unbilled receivables; iii) standardised reporting of cash flow forecasts and ongoing follow-up in order to monitor the cash performance on a regular basis; and iv) inclusion of cash conversion in the Group's incentive structure.

This section comprises notes to understand the development in working capital:

3.1 Change in working capital
3.2 Trade receivables and related credit risk
3.3 Other receivables
3.4 Other liabilities

NOTE 3.1 Changes in working capital

DKK million	2013	2012	2011
Changes in inventories	(39)	(15)	(43)
Changes in receivables	(593)	(65)	(1,394)
Changes in payables	712	196	1,120
Changes in working capital	**80**	**116**	**(317)**

NOTE 3.2 Trade receivables and related credit risk

Trade receivables are exposed to credit risk which might result in impairment losses. This note includes general information about trade receivables as well as specifications and explanations of the related credit risk.

Accounting policy

Trade receivables are recognised initially at fair value. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Impairment losses are recognised when objective evidence indicates that an individual receivable or a portfolio of receivables with similar risk characteristics is impaired. This is based on an individual review for impairment due to customer insolvency, past due amounts and mathematically computed impairment losses based on classification of debtors, maturity and historical information.

Impairment losses, both individual and collective, are recognised in a separate account unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the receivable directly.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Critical accounting estimates and judgements

Impairment losses are based on management's assessment of the customer's ability to make the required payments. Following the global economic downturn in recent years particularly in Western Europe the general credit risk has increased for groups of customers in certain countries in this region. Furthermore, in 2013, 2012 and 2011 a slight increase in the ageing of trade receivables and debtor days was seen most significantly in some Mediterranean countries and Latin America. Such developments and the economic downturn may have an adverse effect on the earnings in the industry in general and are taken into consideration in the assessment of impairment losses.

Trade receivables and related credit risk

The carrying amount of trade receivables of DKK 10,299 million (2012/2011: DKK 11,433 million/DKK 11,871 million) recognised in the statement of financial position represents the maximum credit exposure.

Exposure to credit risk on trade receivables is managed locally in the operating entities and credit limits set as deemed appropriate for the customer taking into account the customer's financial position and the current market conditions. Generally, the Group does not hold collateral as security for trade receivables.

The Group's customer portfolio is diversified in terms of geography, industry sector and customer size. The Group is not exposed to credit risk related to significant individual customers. In some geographies, mainly the Mediterranean countries and Latin America, the general credit risk has increased for groups of customers, which has led to an increase in the level of impairment losses recognised in 2013. However, historically amounts written off as uncollectible have been relatively low, which is also the case in 2013.

The maximum credit risk exposure for trade receivables at the reporting date, i.e. the carrying amount, by geography was:

	2013			2012			2011		
DKK million	Gross	Impairment	Carrying amount	Gross	Impairment	Carrying amount	Gross	Impairment	Carrying amount
Western Europe	6,117	(195)	5,922	6,683	(124)	6,559	6,862	(136)	6,726
Nordic	1,511	(24)	1,487	1,728	(22)	1,706	2,077	(39)	2,038
Asia	1,112	(21)	1,091	1,134	(22)	1,112	1,003	(22)	981
Pacific	575	(7)	568	687	(8)	679	740	(6)	734
Latin America	583	(48)	535	657	(14)	643	623	(14)	609
North America	390	(7)	383	441	(10)	431	469	(7)	462
Eastern Europe	318	(8)	310	306	(8)	298	327	(9)	318
Other countries	3	-	3	5	-	5	3	-	3
Total	**10,609**	**(310)**	**10,299**	**11,641**	**(208)**	**11,433**	**12,104**	**(233)**	**11,871**

NOTE 3.2 Trade receivables and related credit risk (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

DKK million	2013 Gross	2013 Impairment	2013 Carrying amount	2012 Gross	2012 Impairment	2012 Carrying amount	2011 Gross	2011 Impairment	2011 Carrying amount
Not past due	8,204	-	8,204	8,860	(0)	8,860	9,135	(3)	9,132
Past due 1 to 60 days	1,594	(0)	1,594	1,911	(0)	1,911	2,048	(2)	2,046
Past due 61 to 180 days	322	(19)	303	434	(13)	421	466	(7)	459
Past due 181 to 360 days	199	(33)	166	151	(34)	117	201	(56)	145
More than 360 days	290	(258)	32	285	(161)	124	254	(165)	89
Total	**10,609**	**(310)**	**10,299**	**11,641**	**(208)**	**11,433**	**12,104**	**(233)**	**11,871**

The Group believes that the unimpaired amount at 31 December 2013 is still collectible based on historical behaviour and analysis of the underlying customers' financial position and credit ratings.

The movement in the allowance for impairment losses during the year was as follows:

DKK million	2013	2012	2011
Impairment losses at 1 January	(208)	(233)	(241)
Impairment losses recognised	(162)	(75)	(78)
Impairment losses reversed	8	21	39
Amounts written off as uncollectible	38	67	51
Reclassification to Assets held for sale	14	12	(4)
Impairment losses at 31 December	**(310)**	**(208)**	**(233)**

Securitisation

Certain countries participate in the Group's securitisation programme where securitised trade receivables are provided as security for the securitisation debt (bank loans). The securitised trade receivables continue to be recognised in the Group's statement of financial position as the credit risk and rewards remain with the Group.

As at 31 December 2013, trade receivables of DKK 4,535 million (2012/2011: DKK 4,818 million/DKK 4,961 million) recognised in the statement of financial position were provided as security for securitisation debt with a face value of DKK 2,773 million (2012/2011: DKK 2,635 million/ DKK 2,638 million).

NOTE 3.3 Other receivables

Accounting policy

Other receivables are recognised initially at cost and subsequently at amortised cost. Prepayments are measured at cost. Costs relating to sales work and securing contracts are recognised in the income statement as incurred.

Specification of other receivables

DKK million	2013	2012	2011
Prepayments	631	622	575
Loan to FS Invest S.à r.l	98	-	-
Currency swaps	21	48	-
Other	792	625	652
Other receivables	**1,542**	**1,295**	**1,227**

Prepayments comprise mainly prepayments to suppliers and sign-on fees related to customer contracts.

Other comprise various receivables such as supplier rebates and bonuses, refunds from customers and other recoverable amounts, contract work in progress, refunds and recoverable amounts related to employees, outlay for customers, costs related to PPP/PFI contracts, loans to customers, accrued interest, VAT, etc.

NOTE 3.4 Other liabilities

Accounting policy

Other liabilities are recognised initially at cost.

Specification of other liabilities

DKK million	2013	2012	2011
Accrued wages, pensions and holiday allowances	4,675	5,056	5,067
Tax withholdings, VAT etc.	2,849	3,111	3,401
Prepayments from customers	407	463	536
Other	2,225	2,027	2,157
Other liabilities	**10,156**	**10,657**	**11,161**

Other comprise supplier expenses, utilities such as rent, telephone, electricity etc., contingent consideration and deferred payments, accrued interests, fees to advisors and auditors, customer discounts and insurance, etc.

Section 4
Strategic investments and divestments

In 2013, the Group continued to review the strategic rationale and fit of business units, which led to identification of activities that were non-core to the strategy. As a result ISS has divested 14 businesses in 2013 including the pest control activities in 12 countries and the damage control activities in the Nordics as the most significant. Further, as a result of this on-going review of our business platform, sales processes have been initiated for six businesses, and these have been classified as held for sale as per 31 December 2013.

In terms of acquisitions, in recent years the number of acquisitions have been few, and we expect to continue the disciplined and focused acquisition strategy going forward. In 2013, ISS acquired one minor business in Spain, which added an expanded service offering within the hotel segment.

Our acquisition strategy in previous years added more than 600 businesses to the Group in the period 2000 to 2010, which resulted in a significant amount of acquisition-related intangibles in addition to the significant amount of intangibles being recognised in May 2005 when ISS World Services A/S was acquired. This continues to make the Group exposed to possible impairment losses, both due to impairment tests and due to divestments. In 2013, intangibles have been reduced by both categories of impairment losses.

In this section, the following notes are presented:

NOTE 4.1 Acquisition and divestment of businesses

Accounting policy

Business combinations Acquired businesses or entities formed during the year are recognised in the consolidated financial statements from the acquisition date, which is the date when the Group effectively obtains control of the acquired business, or date of formation. Businesses which are divested or wound up are recognised in the consolidated financial statements until the date of divestment or winding-up. Comparative figures are not restated for businesses acquired, divested or wound up. Assets held for sale are presented separately, refer to the description below.

For acquisitions where the Group obtains control of the acquired business the acquisition method is applied. The identifiable assets, liabilities and contingent liabilities of acquired businesses are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if separable or if they arise from contractual or other legal rights. Deferred tax related to fair value adjustments is recognised.

Any excess of the fair value of the consideration transferred, the recognised amount of any non-controlling interests and the fair value of any existing equity interest in the acquiree over the fair value of identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in the Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. When the excess is negative, a bargain purchase gain is recognised in the income statement at the acquisition date.

The consideration transferred comprises the fair value of the assets transferred and the liabilities and contingent liabilities incurred. If parts of the consideration are conditional upon future events (contingent consideration) or satisfaction of agreed terms, these parts are recognised at fair value at the acquisition date. Transaction costs that the Group incurs in connection with the business combination are expensed as incurred in Other income and expenses, net.

If uncertainties exist at the acquisition date regarding identification or measurement of acquired identifiable assets, liabilities and contingent liabilities or regarding the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition date and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill, and changes in estimates of contingent consideration relating to business combinations are recognised in the income statement under Other income and expenses, net.

NOTE 4.1 Acquisition and divestment of businesses (continued)

Accounting policy (continued)
Gains or losses on the divestment or winding-up of subsidiaries, associates or joint ventures are measured as the difference between the consideration received adjusted for directly related divestment or winding-up costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying amount of allocated goodwill.

Critical accounting estimates and judgements
The most significant assets acquired generally comprise goodwill, customer contracts and trade receivables. As no active market exists for the majority of acquired assets, liabilities and contingent liabilities, in particular in respect of acquired intangible assets, management makes estimates of the fair value. The methods applied are based on the present value of future cash flows calculated based on after-tax royalty payments, churn rates or other expected cash flows related to the specific asset. Estimates of fair value may be associated with uncertainty and possibly adjusted subsequently.

The fair value of customer contracts acquired in business combinations is based on an evaluation of the conditions relating to the acquired customer contract portfolio and related customer relationships. Measurement is based on a discounted cash flow model based on key assumptions about the estimated split of the acquired revenue in business segments and the related churn rates and profitability of the revenue at the time of the acquisition. Further, management estimates the Weighted Average Cost of Capital (WACC) and a risk premium for the assumed risk inherent in customer contracts.

Acquisition of businesses
The Group made one acquisition during 2013 (2012/2011: one/none). The acquisition and adjustments to prior years' acquisitions had the following effect on the Group's consolidated financial statements at the reporting date:

			2013			2012		2011
DKK million	Lloyd Outsourcing, S.L.	Adj. to prior years	Total acquisitions	SBA Co. Ltd.	Adj. to prior years	Total acquisitions	Adj. to prior years	Total acquisitions
Total identifiable net assets	**(1)**	**-**	**(1)**	**10**	**(5)**	**5**	**15**	**15**
Goodwill	4	(6)	(2)	18	6	24	5	5
Consideration transferred	**3**	**(6)**	**(3)**	**28**	**1**	**29**	**20**	**20**
Cash and cash equivalent in acquisitions of businesses	0	-	0	(8)	-	(8)	-	-
Cash consideration transferred	**3**	**(6)**	**(3)**	**20**	**1**	**21**	**20**	**20**
Contingent and deferred consideration	(3)	20	17	(10)	49	39	69	69
Total payments regarding acquisitions of businesses	**0**	**14**	**14**	**10**	**50**	**60**	**89**	**89**

Lloyd Outsourcing, S.L.
On 30 June 2013, the Group acquired 100% of the shares in the Spanish cleaning company Lloyd Outsourcing, S.L. The acquisition added an expanded service offering to ISS Spain for cleaning activities within the hotel sector.

The total annual revenue of Lloyd Outsourcing, S.L. was estimated at DKK 8 million (approximate figures extracted from unaudited financial information) based on expectations at the time of the acquisition. In the period from the acquisition date to 31 December 2013, Lloyd Outsourcing, S.L. contributed revenue of DKK 3 million and operating profit before other items of DKK 0 million to the Group. The total number of employees taken over was 34.

Shanghai B&A Property Management Co. Ltd.
On 30 June 2012, the Group acquired 100% of the shares in the Chinese security company Shanghai B&A Property Management Co. Ltd. (SBA Co. Ltd.). The acquisition added licensed security and property management services to the service offerings of ISS China.

The total annual revenue of SBA Co. Ltd. was estimated at DKK 49 million (approximate figures extracted from unaudited financial information) based on expectations at the time of the acquisition. In the period from the acquisition date to 31 December 2012, SBA Co. Ltd. contributed revenue of DKK 29 million and operating profit before other items of DKK 2 million to the Group. The total number of employees taken over was 929.

Adjustments to prior years' acquisitions
Adjustments to prior years' acquisitions mainly related to revised estimates relating to earn-outs as well as a number of other minor adjustments to various acquisitions.

NOTE 4.1 Acquisition and divestment of businesses (continued)

Divestment of businesses

The Group made 14 divestments during 2013 (2012/2011: 8/12 divestments). The total sales price amounted to DKK 2,459 million (2012/2011: DKK 291 million/DKK 942 million). The total annual revenue of the divested businesses (approximate figures extracted from unaudited financial information) is estimated at DKK 2,934 million (2012/2011: DKK 872 million/DKK 1,997 million) based on expectations at the time of divestment.

The divestments had the following impact on the Group's consolidated financial statements at the reporting date:

DKK million	2013	2012	2011
Goodwill	1,021	117	368
Customer contracts	210	18	32
Other non-current assets	193	63	117
Trade receivables	395	125	398
Other current assets	48	27	130
Provisions	(57)	(2)	(2)
Pensions, deferred tax liabilities and non-controlling interests	(79)	(10)	(32)
Non-current loans and borrowings	(13)	(27)	-
Current loans and borrowings	(8)	-	(13)
Other current liabilities	(325)	(148)	(226)
Total identifiable net assets	**1,385**	**163**	**772**
Gain/(loss) on divestment of businesses, net	758	41	66
Divestment costs, net of tax	316	87	104
Consideration received	**2,459**	**291**	**942**
Cash and cash equivalents in divested businesses	3	(5)	(88)
Cash consideration received	**2,462**	**286**	**854**
Contingent and deferred consideration	(33)	(5)	2
Divestment costs paid, net of tax	(246)	(69)	(95)
Net proceeds regarding divestment of businesses	**2,183**	**212**	**761**

NOTE 4.1 Acquisition and divestment of businesses (continued)

Divestment of businesses (continued)

The 14 divestments completed by the Group before or at 31 December 2013 are listed below:

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
COOLIT, HVAC	Austria	Property services	April	100%	25	11
ISS Document A/S	Denmark	Support services	May	100%	19	31
Pest Control	Global [2]	Property services	June	100%/Activities	1,042	1,440
Hygiene and Experience	Belgium	Property services	June	100%	5	6
ISS Security Services	Netherlands	Security services	July	Activities	294	804
Washroom Services	Austria	Cleaning services	July	Activities	15	-
ISS Landscaping Services	USA	Property services	August	Activities	78	137
Damage Control	Nordic [3]	Support services	August	100%/Activities	853	1,073
Security services and Reception single services	Denmark	Security and Support services	September	Activities	27	66
Hardware Services	Belgium	Support services	September	Activities	70	76
Karmak	Italy	Cleaning services	September	Activities	96	192
ISS Arbo Plus BV	Netherlands	Support services	September	100%	-	14
ISS Building Services	Belgium	Support services	October	Activities	12	11
Landscaping	Norway	Property services	November	Activities	398	206
Total					**2,934**	**4,067**

1) Approximate figures based on information available at the time of divestment extracted from unaudited financial information.
2) Comprise pest control activities in Australia, Austria, Belgium, Denmark, Germany, Italy, the Netherlands, New Zealand, Norway, Portugal, Spain and Switzerland as well as washroom activities in Australia, Italy and New Zealand.
3) Damage Control activities have been sold in Denmark, Norway and Finland.

The eight divestments completed by the Group before or at 31 December 2012 are listed below:

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
ISS Proko Infra OY	Finland	Facility management	March	64%	9	14
Reaktorskolen AS	Norway	Support services	April	100%	175	143
ISS Landscaping	Netherlands	Property services	July	100%	268	261
Security	Norway	Security services	August	100%	44	81
ISS Mailroom Services	France	Property services	November	100%	39	74
Washroom	Netherlands	Cleaning services	November	100%	126	62
Washroom	Belgium & Luxembourg	Cleaning services	November	100%	38	25
Office support	France	Support services	December	100%	173	853
Total					**872**	**1,513**

1) Approximate figures based on information available at the time of divestment extracted from unaudited financial information.

NOTE 4.1 Acquisition and divestment of businesses (continued)

Divestment of businesses (continued)

The 12 divestments completed by the Group before **31 December 2011** are listed below:

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
ISS Batiservices	France	Property	January	100%	6	7
mo.hotel	Germany	Facility Management	March	Activities	26	30
Elektro Kristiansand	Norway	Property	May	Activities	51	52
Elektro Oslo	Norway	Property	June	Activities	33	37
Ventilasjon	Norway	Property	June	Activities	64	22
ISS Industrial Services	Belgium	Property	June	100%	269	418
VATRO	Germany	Property	July	86%	1,133	720
ISS Industrial Services	Finland	Property	October	100%	95	109
Event Catering	Singapore	Catering	November	Activities	42	85
Domestic Care	Netherlands	Cleaning	December	50%	73	260
ISS Property Development	Sweden	Property	January 2012	Activities	20	23
House of Coffee	Denmark/Norway	Catering	January 2012	100%	185	93
Total					**1,997**	**1,856**

[1] Approximate figures based on information available at the time of divestment extracted from unaudited financial information.

Acquisitions and divestments subsequent to 31 December 2013

Divestments made by the Group in the period from 1 January to 28 February 2014 are listed below. No acquisitions were completed in the period.

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
HiCare	India	Property Services	January	100%	60	1,337
HVAC	Belgium	Property Services	January	Activities	29	18
Security	Israel	Security Services	February	100%	232	1,800
Landscaping	France	Property Services	March	100%	2,071	2,372
Total					**2,392**	**5,527**

[1] Approximate figures based on information available at the time of divestment extracted from unaudited financial information.

Pro forma revenue and operating profit before other items

For the purpose of estimating pro forma revenue and operating profit before other items, adjustments relating to acquisitions and divestments are based on estimates made by local ISS management in the respective jurisdictions in which the acquisitions and divestments occurred at the time of acquisition and divestment or actual results where available. Synergies from acquisitions are not included for periods in which the acquisitions were not controlled by the Group. The estimates are based on unaudited financial information.

These adjustments and the computation of total revenue and operating profit before other items on a pro forma basis are presented for informational purposes only. This information does not represent the results the Group would have achieved had the acquisitions and divestments during the year occurred on 1 January. In addition, the information should not be used as the basis for or prediction of any annualised calculation.

NOTE 4.1 Acquisition and divestment of businesses (continued)

Pro forma revenue and operating profit before other items (continued)

Assuming all acquisitions and divestments in the year were included as of 1 January the effect on revenue and operating profit before other items is estimated as follows:

DKK million	2013	2012	2011
Pro forma revenue			
Revenue recognised in the income statement	78,459	79,454	77,644
Acquisitions	3	20	-
Revenue adjusted for acquisitions	**78,462**	**79,474**	**77,644**
Divestments	(1,515)	(467)	(1,113)
Pro forma revenue	**76,947**	**79,007**	**76,531**

DKK million	2013	2012	2011
Pro forma operating profit before other items			
Operating profit before other items recognised in the income statement	4,315	4,411	4,388
Acquisitions	0	2	-
Operating profit before other items adjusted for acquisitions	**4,315**	**4,413**	**4,388**
Divestments	(102)	(11)	(66)
Pro forma operating profit before other items	**4,213**	**4,402**	**4,322**

NOTE 4.2 Assets held for sale

Accounting policy

Assets held for sale comprises non-current assets and disposal groups held for sale. Liabilities classified as held for sale are those directly associated with the assets that will be transferred in the transaction. Assets are classified as held for sale when the carrying amount of the assets is expected to primarily be recovered through a sale within 12 months of the reporting date in accordance with a formal plan rather than through continuing use.

Immediately before classification as held for sale, the assets or disposal groups are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in the income statement. Gains and losses are disclosed in the notes to the consolidated financial statements.

Non-current assets and disposal groups held for sale are presented in separate lines in the statement of financial position and the main elements are specified in the notes to the consolidated financial statements. Comparative figures are not adjusted.

Critical accounting estimates and judgements

When classifying non-current assets and disposal groups as held for sale management makes estimates of their fair value (the final sales price and expected costs to sell). Depending on the nature of the non-current assets and disposal group's activity, assets and liabilities, the estimated fair value may be associated with uncertainty and possibly adjusted subsequently. Measurement of the fair value of disposal groups is categorised as Level 3 in the fair value hierarchy as measurement is not based on observable market data.

Management considers intangible assets relating to the disposal groups, taking into consideration how to separate the net assets (including intangible assets) relating to the disposal group from the Group's assets in the continuing business. Impairment of these intangibles both on initial classification as held for sale and subsequently is considered. The estimation uncertainty relating to impairment of intangibles in general is described below in note 4.4, Impairment tests.

NOTE 4.2 Assets held for sale (continued)

Specification of disposal groups classified as held for sale

At 31 December disposal groups classified as held for sale comprised the following assets and liabilities:

DKK million	2013	2012	2011
Goodwill	845	1,226	48
Other intangibles	65	271	4
Property, plant and equipment	134	156	34
Other financial assets	61	15	0
Deferred tax assets	42	14	2
Inventories	15	23	5
Trade and other receivables	788	564	72
Assets classified as held for sale	**1,950**	**2,269**	**165**
Deferred tax liabilities	15	73	1
Tax payables	15	44	-
Pensions and similar obligations	54	23	-
Provisions	17	23	3
Loans and borrowings	2	21	-
Trade payables and other liabilities	913	549	86
Liabilities classified as held for sale	**1,016**	**733**	**90**

2013

At 31 December 2013, assets held for sale comprised six businesses in Western Europe, Nordic, Asia and Pacific including the landscaping activities in France, the commercial security activities in Australia and New Zealand and the security activities in Israel. For the latter three businesses the sales process was initiated during 2013. The remaining three were classified as held for sale at 31 December 2012. However, sales processes are still ongoing and the disposal groups continue to be classified as held for sale.

During 2013, three of the businesses classified as held for sale at 31 December 2012 have been sold. The divestments comprised the pest control activities in 12 countries, the Nordic damage control activities and the landscaping activities in Norway resulting in a total gain of DKK 788 million, which was recognised in Other income and expenses, net. Additionally, one activity has been reclassified as held for use as the sales process was stalled. The impact of the reclassification on the consolidated financial statements was insignificant.

Revaluation of businesses classified as held for sale at 31 December 2013 resulted in a loss in the income statement of DKK 314 million of which DKK 24 million was recognised in Other income and expenses, net, DKK 283 million in Goodwill impairment, DKK 12 million in Amortisation and impairment of brands and customer contracts and DKK 5 million (income) in Income taxes.

2012

At 31 December 2012 assets held for sale comprised seven businesses in Western Europe, Nordic, Asia and Pacific. The assets and liabilities of these activities were reclassified and presented separately in the statement of financial position at the lower of the carrying amount at the date of the classification as held for sale and fair value less costs to sell. The revaluation resulted in a loss of DKK 13 million, which was recognised in the line Goodwill impairment.

During 2012, the businesses in Western Europe classified as held for sale at 31 December 2011 have been divested. The divestments comprised the landscaping activities and the washroom activities in the Netherlands and resulted in the recognition of a loss of DKK 32 million and a gain of DKK 19 million, respectively. Both were recognised in Other income and expenses, net.

NOTE 4.2 Assets held for sale (continued)

2011

At 31 December 2011, sales processes had been initiated for two non-core activities in Western Europe, which were classified as held for sale. The assets and liabilities of these activities were reclassified and presented separately in the statement of financial position at the lower of the carrying amount at the date of the classification as held for sale and fair value less costs to sell. A loss of DKK 218 million was recognised in Goodwill impairment in connection with the reclassifications.

All businesses classified as held for sale at 31 December 2010 have been divested during 2011. The divestments comprised the non-core industrial service activities in Belgium, the non-core damage control activities, VATRO, in Germany and the investment in the associate ISS Industriservice AB in Sweden.

Upon initial classification as held for sale in 2010 no impairment losses were recognised. Subsequently, remeasurement of VATRO in June 2011 resulted in recognition of an impairment loss of DKK 61 million, which was recognised in Goodwill impairment. Upon completion of the divestments additional losses of DKK 19 million (Industrial Services, Belgium) and DKK 2 million (VATRO, Germany) were recognised in Other income and expenses, net. The divestment of the associate in Sweden resulted in a gain of DKK 6 million, which was also recognised in Other income and expenses, net.

Cumulative income or expense recognised in other comprehensive income

In 2013, 2012 and 2011, no cumulative income or expenses were recognised in other comprehensive income related to assets held for sale.

NOTE 4.3 Intangible assets

Accounting policy

Goodwill is initially recognised in the statement of financial position at cost as described under "Business combinations" in note 4.1, Acquisition and divestment of businesses. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

Acquisition-related **brands** are recognised at fair value at the acquisition date. Subsequently, acquired brands with indefinite useful lives are measured at historical cost less any accumulated impairment losses.

Acquisition-related **customer contracts** are recognised at fair value at the acquisition date and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The value is amortised based on the churn rate of the acquired portfolio using the declining balance method. The churn rate is calculated on a contract by contract basis and has historically averaged approximately 13% to 14% annually. In exceptional cases the value of customer contracts is amortised on a straight-line basis, e.g. based on the legal duration of the acquired contract or other relevant period, if deemed more appropriate.

Software and other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

The cost of software developed for internal use includes external costs to consultants and software as well as internal direct and indirect costs related to the development. Other development costs for which it cannot be rendered probable that future economic benefits will flow to the Group are recognised in the income statement as and when incurred.

Amortisation is based on the cost of the asset and recognised in the income statement on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for the current and comparative years are as follows:

	Estimated useful life
Software	5-10 years
Other intangible assets	5-10 years

Amortisation methods and useful lives are reassessed at each reporting date and adjusted if appropriate. When changing the amortisation period due to a change in the useful life, the effect on the amortisation is recognised prospectively as a change in accounting estimates.

Please refer to note 4.4, Impairment test, for a description of impairment of intangible assets.

Critical accounting estimates and judgements

The carrying amount of Brands is primarily related to the ISS brand, which is considered to have an indefinite useful life since there is no foreseeable limit to the period over which the brand is expected to generate net cash inflows. Factors that played a significant role in determining that the ISS brand has an indefinite useful life are: i) the ISS brand has existed for decades, ii) the Group's strategy is based on the ISS brand, iii) all acquired brands are converted to or co-branded with the ISS brand and iv) the ISS brand is used in the business-to-business and public segments with low maintenance costs attached.

NOTE 4.3 Intangible assets (continued)

2013 DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets	Total
Cost at 1 January	28,225	1,657	10,608	1,238	41,728
Foreign exchange adjustments	(992)	(41)	(403)	(53)	(1,489)
Additions and acquisitions through business combinations	(2)	-	2	175	175
Disposals through divestment of businesses	(324)	-	(146)	(46)	(516)
Disposals	-	-	-	(53)	(53)
Reclassification from/(to) Property, plant and equipment	-	-	-	(4)	(4)
Reclassification to Assets classified as held for sale	(833)	-	(155)	(39)	(1,027)
Cost at 31 December	**26,074**	**1,616**	**9,906**	**1,218**	**38,814**
Amortisation and impairment losses at 1 January	(2,384)	(26)	(6,579)	(770)	(9,759)
Foreign exchange adjustments	(8)	(0)	239	33	264
Amortisation	-	-	(492)	(151)	(643)
Impairment losses [1]	(985)	-	(175)	-	(1,160)
Disposals through divestment of businesses	186	-	116	31	333
Disposals	-	-	-	42	42
Reclassification (from)/to Property, plant and equipment	-	-	-	2	2
Reclassification to Assets classified as held for sale	272	-	146	35	453
Amortisation and impairment losses at 31 December	**(2,919)**	**(26)**	**(6,745)**	**(778)**	**(10,468)**
Carrying amount at 31 December	**23,155**	**1,590**	**3,161**	**440**	**28,346**

2012 DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets	Total
Cost at 1 January	29,366	1,635	11,079	1,094	43,174
Foreign exchange adjustments	336	22	130	17	505
Additions and acquisitions through business combinations	24	-	11	191	226
Disposals through divestment of businesses	(246)	-	(78)	(6)	(330)
Disposals	-	-	-	(8)	(8)
Reclassification from/(to) Property, plant and equipment	-	-	-	35	35
Reclassification to Assets classified as held for sale	(1,255)	-	(534)	(85)	(1,874)
Cost at 31 December	**28,225**	**1,657**	**10,608**	**1,238**	**41,728**
Amortisation and impairment losses at 1 January	(2,196)	(26)	(6,190)	(665)	(9,077)
Foreign exchange adjustments	(9)	(0)	(70)	(12)	(91)
Amortisation	-	-	(620)	(153)	(773)
Impairment losses [1]	(385)	-	(53)	-	(438)
Disposals through divestment of businesses	173	-	59	5	237
Disposals	-	-	-	2	2
Reclassification to Assets classified as held for sale	33	-	295	53	381
Amortisation and impairment losses at 31 December	**(2,384)**	**(26)**	**(6,579)**	**(770)**	**(9,759)**
Carrying amount at 31 December	**25,841**	**1,631**	**4,029**	**468**	**31,969**

[1] For a breakdown of impairment losses on goodwill, see note 4.5, Goodwill impairment. Impairment losses on customer contracts in 2013 identified in impairment tests in France and the Netherlands leading to losses of DKK 118 million and DKK 24 million, respectively. Furthermore, divestments and reclassification as held for sale of non-core activities in certain countries resulted in additional losses of DKK 33 million. In 2012, impairment losses on customer contracts mainly related to Greece of DKK 46 million.

NOTE 4.3 Intangible assets (continued)

2011 DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets	Total
Cost at 1 January	29,748	1,641	11,113	906	43,408
Foreign exchange adjustments	(33)	2	5	(7)	(33)
Additions and acquisition through business combinations	5	-	-	189	194
Disposals through divestment of businesses	(66)	-	(22)	-	(88)
Disposals	(22)	(8)	-	(11)	(41)
Reclassification from/(to) Property, plant and equipment	-	-	-	22	22
Reclassification to Assets classified as held for sale	(266)	-	(17)	(5)	(288)
Cost at 31 December	**29,366**	**1,635**	**11,079**	**1,094**	**43,174**
Amortisation and impairment losses at 1 January	(2,001)	(29)	(5,501)	(519)	(8,050)
Foreign exchange adjustments	5	-	(15)	2	(8)
Amortisation	-	(5)	(696)	(146)	(847)
Impairment losses 1)	(501)	-	-	-	(501)
Disposals through divestment of businesses	61	-	7	-	68
Disposals	22	8	-	(1)	29
Reclassification (from)/to Property, plant and equipment	-	-	-	(4)	(4)
Reclassification to Assets classified as held for sale	218	-	15	3	236
Amortisation and impairment losses at 31 December	**(2,196)**	**(26)**	**(6,190)**	**(665)**	**(9,077)**
Carrying amount at 31 December	**27,170**	**1,609**	**4,889**	**429**	**34,097**

1) For a breakdown of impairment losses on goodwill, see note 4.5, Goodwill impairment.

NOTE 4.4 Impairment tests

Accounting policy

Intangible assets with an indefinite useful life, i.e. goodwill and brands, are subject to impairment testing at least annually or when circumstances indicate that the carrying amount may be impaired. The carrying amount of other non-current assets is tested annually for indications of impairment.

If an indication of impairment exists, the recoverable amount of the asset is determined. The recoverable amount is the higher of the fair value of the asset less anticipated costs of disposal and its value in use. The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs. The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated.

An impairment loss is recognised in the income statement in a separate line if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Critical accounting estimates and judgements

In performing the impairment test management makes an assessment of whether the cash-generating unit to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets of the entity.

This assessment is based on estimates of expected future cash flows (value-in-use) made on the basis of financial budgets for the following financial year. In addition to these the key assumptions used to estimate expected future cash flows are discount rates and growth. During recent years increased volatility in risk free interest rates has been experienced which generally has increased the estimation uncertainty. For further information please refer to "Estimates used to measure recoverable amount" below.

NOTE 4.4 Impairment tests (continued)

Impairment test procedure
Impairment tests are carried out per country as this represents the lowest level of cash-generating units (CGUs) to which the carrying amount of intangibles can be allocated and monitored with any reasonable certainty. This level of allocation and monitoring of intangibles should be seen in the light of the Group's strategy to integrate acquired companies as quickly as possible in order to benefit from synergies.

Acquired companies are typically organisationally integrated and merged with (or activities transferred to) existing Group companies shortly after the completion of the acquisition. Furthermore, synergies and other effects resulting from cooperation with existing Group companies in their geographical or business area normally influence the financial performance of an acquired company. Consequently, after a short period of time, it is generally not possible to track and measure the value of intangibles of the individual acquired companies (or activities) with any reasonable certainty.

Estimates used to measure recoverable amount
The recoverable amount of each CGU is determined on the basis of its value-in-use. The value-in-use is established using certain key assumptions as described below. The key assumptions are revenue growth and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. The assumptions applied in the short to medium term are based on management's expectations regarding the operational development and growth. The terminal growth rates do not exceed the expected long-term average growth rate including inflation for the country in which the CGUs operate.

The country specific discount rates, which are calculated net of tax, are generally based on 10 year government bonds of the individual countries. An interest premium is added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting the estimated future cash flows with infinite maturity. In the PIIGS countries, including Greece, Ireland, Italy, Portugal and Spain, the country specific discount rates are based on a 20 year German government bond with the addition of a 10 year Credit Default Swap weighted with the exposure to the public sector in the individual countries. This is due to the continued increased volatility and uncertainty related to interest rates on government bonds in these countries.

Following the investment by Ontario Teachers' Pension Plan Board through 2337323 Ontario Limited and KIRKBI Invest A/S in 2012 the capital structure was reassessed and a target ratio of 30/70 (2012/2011: 30/70 and 60/40) between the market value of debt and equity value has been applied in the calculation. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 5.5% (2012/2011: 6.0%/5.0%). Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are generally reflected in the discount rates. Consequently, a country specific risk premium is added to the discount rates to reflect the specific risk associated with each CGU.

Impairment test results 2013
The impairment test as per 31 December 2013 resulted in recognition of an impairment loss of DKK 288 million in France in addition to the loss of DKK 230 million recognised as per 30 September 2013. The total impairment loss recognised in 2013 for France was DKK 518 million due to an update in the assumptions in the business plan of which DKK 400 million related to goodwill and DKK 118 million related to customer contracts.

Furthermore, an impairment loss of DKK 124 million was recognised in the Netherlands following an update in the business plan as well as an increase in the discount rate applied of which DKK 100 million related to goodwill and DKK 24 million related to customer contracts.

Impairment test results 2012
The impairment test as per 31 December 2012 resulted in recognition of an impairment loss on goodwill of DKK 200 million in France. The impairment loss was mainly attributable to the negative impact from new tax rules imposed late 2012 with retroactive effect as per 1 January 2012 limiting the deductibility of net interest expenses.

Furthermore, an impairment loss of DKK 46 million on customer contracts in Greece was recognised due to the continued unstable economic environment. Following the recognition of the impairment loss the carrying amount of intangibles in Greece is zero.

Impairment test results 2011
At 30 June 2011, the impairment test for ISS Spain resulted in recognition of an impairment loss of DKK 200 million mainly due to difficult macroeconomic conditions combined with an increase in the discount rate applied following the amendment and extension of the Senior Facilities Agreement. As per 31 December 2011, the assumptions in the business plan were evaluated and updated again as part of the annual impairment testing. No additional impairment losses were identified.

NOTE 4.4 Impairment tests (continued)

Carrying amounts and key assumptions

The carrying amount of intangibles and the key assumptions [1] used in the impairment testing as per 31 December are presented below for each CGU representing more than 5% of the carrying amount of the Group's intangibles.

2013 DKK million	Carrying amount Goodwill	Brands	Customer contracts	Total in-tangibles	Applied key assumptions Long-term growth	Discount rate, net of tax	Discount rate, pre tax
France [2]	2,491	300	179	2,970	2.5%	8.7%	14.3%
United Kingdom	2,343	171	411	2,925	2.5%	9.5%	11.4%
Finland	2,268	120	401	2,789	2.0%	8.4%	10.1%
Norway	1,537	128	337	2,002	2.0%	9.7%	12.8%
Denmark	1,648	131	149	1,928	2.0%	8.8%	10.9%
Netherlands [3]	1,418	122	58	1,598	2.0%	9.2%	11.6%
Belgium	1,312	86	133	1,531	2.5%	9.2%	13.0%
Switzerland	1,237	62	168	1,467	2.0%	6.8%	8.2%
Australia	1,294	11	147	1,452	3.0%	10.8%	14.2%
Sweden	1,175	118	120	1,413	2.0%	9.3%	11.6%
Other countries	6,432	341	1,058	7,831	-	-	-
Total carrying amount	**23,155**	**1,590**	**3,161**	**27,906**			

2012 DKK million	Carrying amount Goodwill	Brands	Customer contracts	Total in-tangibles	Applied key assumptions Long-term growth	Discount rate, net of tax	Discount rate, pre tax
France [2]	3,555	300	358	4,213	2.5%	8.8%	14.3%
United Kingdom	2,399	175	473	3,047	2.5%	8.8%	10.9%
Finland	2,292	120	448	2,860	2.0%	8.5%	10.8%
Norway	1,752	147	419	2,318	2.0%	9.7%	13.0%
Denmark	1,689	131	186	2,006	2.0%	8.7%	11.1%
Australia	1,669	13	220	1,902	3.0%	10.6%	14.0%
Netherlands	1,609	122	117	1,848	2.0%	9.0%	11.3%
Belgium	1,343	86	158	1,587	2.5%	9.4%	13.3%
Other countries	9,533	537	1,650	11,720	-	-	-
Total carrying amount	**25,841**	**1,631**	**4,029**	**31,501**			

2011 DKK million	Carrying amount Goodwill	Brands	Customer contracts	Total in-tangibles	Applied key assumptions Long-term growth	Discount rate, net of tax	Discount rate, pre tax
France [2]	3,914	299	445	4,658	2.5%	9.0%	14.6%
United Kingdom	2,338	170	516	3,024	2.5%	8.5%	10.7%
Finland	2,284	120	500	2,904	2.0%	8.7%	11.1%
Norway	2,084	139	482	2,705	2.0%	9.6%	12.9%
Australia	1,844	13	291	2,148	3.0%	10.5%	14.1%
Denmark	1,739	131	216	2,086	2.0%	8.9%	11.4%
Netherlands	1,604	121	138	1,863	2.0%	9.2%	11.6%
Belgium	1,491	85	211	1,787	2.5%	10.2%	14.7%
Spain	1,114	90	271	1,475	2.5%	10.4%	14.1%
Other countries	8,758	441	1,819	11,018	-	-	-
Total carrying amount	**27,170**	**1,609**	**4,889**	**33,668**			

[1] The key assumptions applied in the impairment tests are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.

[2] The growth is expected to be in the range 0.3% to 7.7% over the next five years (2012/2011: 0.5% to 5.0% over the next six years/1.1% to 5.0% over the next seven years). The recoverable amount of the CGU is estimated at DKK 2.4 billion at 31 December 2013, which equals the carrying amount of the CGU's net assets. Net assets comprise total intangible assets reduced by other net assets, which are negative at 31 December 2013.

[3] The recoverable amount of the CGU is estimated at DKK 1.3 billion at 31 December 2013, which equals the carrying amount of the CGU's net assets. Net assets comprise total intangible assets reduced by other net assets, which are negative at 31 December 2013.

NOTE 4.4 Impairment tests (continued)

Sensitivity analysis

A sensitivity analysis on the key assumptions in the impairment testing is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption as applied in the expected long-term rate can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount.

	Growth		Discount rate, net of tax	
2013	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed decrease
France	2.5%	0.0%	8.7%	0.0%
United Kingdom	2.5%	>2.5%	9.5%	>3.0%
Finland	2.0%	>2.0%	8.4%	2.8%
Norway	2.0%	>2.0%	9.7%	>3.0%
Denmark	2.0%	1.6%	8.8%	1.7%
Netherlands	2.0%	0.0%	9.2%	0.0%
Belgium	2.5%	0.5%	9.2%	0.4%
Switzerland	2.0%	>2.0%	6.8%	>3.0%
Australia	3.0%	0.7%	10.8%	0.5%
Sweden	2.0%	>2.0%	9.3%	>3.0%

	Growth		Discount rate, net of tax	
2012	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed decrease
France	2.5%	0.0%	8.8%	0.0%
United Kingdom	2.5%	>2.5%	8.8%	>3.0%
Finland	2.0%	>2.0%	8.5%	>3.0%
Norway	2.0%	>2.0%	9.7%	>3.0%
Denmark	2.0%	1.3%	8.7%	1.4%
Australia	3.0%	0.8%	10.6%	0.7%
Netherlands	2.0%	0.6%	9.0%	0.4%
Belgium	2.5%	1.6%	9.4%	1.3%

	Growth		Discount rate, net of tax	
2011	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed decrease
France	2.5%	0.0%	9.0%	0.0%
United Kingdom	2.5%	>2.5%	8.5%	>3.0%
Finland	2.0%	>2.0%	8.7%	3.0%
Norway	2.0%	>2.0%	9.6%	>3.0%
Australia	3.0%	>3.0%	10.5%	>3.0%
Denmark	2.0%	0.4%	8.9%	0.3%
Netherlands	2.0%	0.4%	9.2%	0.3%
Belgium	2.5%	0.3%	10.2%	0.2%
Spain	2.5%	0.8%	10.4%	0.6%

NOTE 4.5 Goodwill impairment

DKK million	2013	2012	2011
Impairment losses identified in impairment tests	500	200	200
Impairment losses derived from divestment of businesses	485	185	301
Goodwill impairment	**985**	**385**	**501**

Impairment losses identified in impairment tests in 2013 related to France and the Netherlands, as described in note 4.4, Impairment test. In 2012, impairment losses related to France and was mainly attributable to the negative impact from new tax rules imposed in late 2012 with retroactive effect as per 1 January 2012 limiting the deductibility of net interest expenses. In 2011, impairment losses related to Spain and was mainly attributable to the difficult macroeconomic conditions combined with an increase in the discount rate applied following the amendment and extension of the Senior Facilities Agreement.

Impairment losses derived from divestment of businesses mainly related to the divestment of the security activities in the Netherlands of DKK 81 million, the industrial cleaning services in Italy of DKK 41 million and certain landscaping activities in the USA of DKK 30 million. Furthermore, remeasurement of businesses classified as held for sale resulted in impairment losses amounting to DKK 283 million stemming from the commercial security activities in Australia and New Zealand, DKK 133 million, the landscaping activities in France, DKK 92 million, and the security activities in Israel, DKK 58 million. In 2012, impairment losses mainly related to the divestment of the office support services in France, resulting in a loss of DKK 172 million. In 2011, impairment losses primarily related to the remeasurement of net assets of the landscaping activities in the Netherlands of DKK 218 million, which were subsequently sold in 2012. The remaining loss related to the divestment of the damage control business, VATRO, in Germany and three divested activities in Norway; Elektro Kristiansand, Elektro Oslo and Ventilasjon.

Section 5
Capital structure

In 2013, ISS continued the deleveraging and further simplified the capital structure. The Group divested a number of businesses including the pest control activities and damage control activities as described in section 4. With the proceeds from the divestments ISS partially redeemed the 8.875% Senior Subordinated Notes, thereby addressing 56% of the most expensive part of the debt, leading to a significant reduction in net debt and interest cost savings going forward.

The deleveraging in recent years has resulted in improved credit ratings of ISS. In February 2014, following the announcement of the intended IPO, S&P assigned a long-term credit rating of ISS A/S and its wholly-owned subsidiaries ISS World Services A/S and ISS Global A/S (ISS Global) of BB with a Positive Watch and Moody's assigned ISS a long-term credit rating of Ba3 Positive Review.

In this section, the following notes are presented:

5.1 Share capital
5.2 Loans and borrowings
5.3 Liquidity risk
5.4 Currency risk
5.5 Interest rate risk
5.6 Derivatives
5.7 Financial income and financial expenses

CORPORATE CREDIT RATINGS	
Standard & Poor's	BB Positive Watch
Moody's	Ba3 Positive Review
ISS A/S 8.875% Senior Subordinated Notes 2016	
Issuer	ISS A/S
Standard & Poor's	B+
Moody's	B2 Positive Review
ISS Global A/S 4.5% Medium Term Notes 2014	
Issuer	ISS Global A/S
Standard & Poor's	B+
Senior Facilities Agreement	
Borrower	ISS A/S and its subsidiaries
Standard & Poor's	BB
Moody's	Ba2 Positive Review

NOTE 5.1 Share capital

ISS A/S's share capital is indirectly owned by funds advised by EQT Partners (EQT), funds advised by affiliates of The Goldman Sachs Group, Inc. (GSCP), as well as Ontario Teachers' Pension Plan Board through 2337323 Ontario Limited (OTPP) and KIRKBI Invest A/S (KIRKBI). EQT and GSCP indirectly hold approximately 40% and 33% of the share capital, respectively. OTPP and KIRKBI indirectly hold approximately 18% and 8% of the share capital, respectively. The remaining approximately 1% is indirectly held by certain current and former members of the Board of Directors, current and former members of the Executive Group Management Board as well as current and former senior officers of the Group through Directors' and Management Participation Programmes. At 31 December 2013, the carrying amount of Shareholders' equity (including non-controlling interests) was DKK 4,246 million (2012/2011: DKK 5,107 million/DKK 2,139 million).

	2013		2012		2011	
	Nominal value (DKK million)	Number of shares (in thousands)	Nominal value (DKK million)	Number of shares (in thousands)	Nominal value (DKK million)	Number of shares (in thousands)
Share capital at 1 January	135	135,443	100	100,000	100	100,000
Issued for cash	-	-	35	35,443	-	-
Share capital at 31 December – fully paid	**135**	**135,443**	**135**	**135,443**	**100**	**100,000**

At 31 December 2013, a total of 135,443,319 shares with a nominal value of DKK 1 per share were issued and fully paid (2012/2011: 135,443,319 shares/100,000,001 shares). No shares carry special rights. At 31 December 2013, shares were not freely transferable as any transfer required the consent of the Board of Directors. Effective 1 March 2014, the Articles of Association have been changed resulting in the shares being freely transferable.

Capital management

The Group monitors the capital structure and evaluates the need for adjustments on an ongoing basis. The Group's objectives for managing capital and what is managed as capital are described in note 5.3, Liquidity risk. The dividend policy and payment of dividends is made subject to the necessary consolidation of equity and the Group's continuing expansion. The Group seeks to reduce the financial leverage on a multiple basis in terms of net debt to pro forma adjusted EBITDA.

ISS A/S (the Group's parent) is a holding company, and its primary assets are shares in ISS World Services A/S. ISS A/S has no revenue generating operations of its own, and therefore ISS A/S's cash flow and ability to service its indebtedness, will primarily depend on the operating performance and financial condition of ISS World Services A/S and its operating subsidiaries, and the receipt by ISS A/S of funds from ISS World Services A/S and its subsidiaries.

NOTE 5.2 Loans and borrowings

Accounting policy

Financial liabilities are recognised at the date of borrowing at fair value less related transaction costs paid. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in the income statement under Financial expenses over the term of the loan. Financial liabilities also include the capitalised residual obligation on finance leases, which are measured at amortised cost.

Terms and maturity of the Group's interest-bearing loans and borrowings and net debt

DKK million	Nominal interest rate	Average effective interest rate	Currency	Year of maturity	Face value	Amount hedged	2013	2012	2011
							Carrying amount		
Issued bonds (fixed interest rate):									
Subordinated Notes	8.875%	8.96%	EUR	2016	1,912	-	1,898	4,291	4,262
EMTNs	4.50%	4.67%	EUR	2014	824	-	805	784	760
Senior Notes	11.00%	-	EUR	2014	-	-	-	-	3,797
Total issued bonds					**2,736**	**-**	**2,703**	**5,075**	**8,819**
Bank loans (floating interest rate):									
Senior Facilities:									
Term Facility A	Libor + 2.00%	-	SEK, NOK, CHF	2012	-	-	-	-	318
Term Facility A	Euribor + 3.50%	3.72%	EUR	2018	2,448	2,239	2,435	-	-
Term Facility B	Libor + 2.00%	2.27%	EUR, GBP	2013	-	-	-	467	481
Term Facility B	Libor + 3.50%	3.74%	EUR, GBP	2015	1,040	-	1,035	12,110	12,445
Term Facility B	Libor + 4.00%	4.33%	EUR, GBP	2018	11,032	9,325	10,918	-	-
Term Facility B	Libor + 2.75% 1)	3.81%	USD	2018	1,885	-	1,866	-	-
Acquisition Facility A	Euribor + 2.25%	-	EUR	2012	-	-	-	-	174
Acquisition Facility B	Euribor + 2.25%	2.38%	EUR	2013	-	-	-	56	62
Acquisition Facility B	Euribor + 3.75%	3.93%	EUR	2015	-	-	-	1,839	2,032
Acquisition Facility B	Euribor + 4.00%	4.17%	EUR	2018	1,839	1,492	1,830	-	-
Revolving Credit Facility	Libor + 3.75%	-	Multi currency	2014	243	-	243	1,815	1,760
Revolving Credit Facility	Libor + 4.00%	-	Multi currency	2017	1,257	-	1,257	-	-
Letter of Credit Facility	Libor + 3.75%	-	Multi currency	2014/17	74	-	74	161	208
Second Lien Facility	Euribor + 3.75%	3.91%	EUR	2015	-	-	-	599	597
Second Lien Facility	Euribor + 4.25%	4.42%	EUR	2015	-	-	-	3,867	3,849
Bank loans and overdrafts	-	-	Multi currency	-	728	-	728	754	385
Total bank loans					**20,546**	**13,056**	**20,386**	**21,668**	**22,311**
Securitisation	Libor + 2.50%	2.77%	Multi currency	2015	**2,773**	**-**	**2,760**	**2,617**	**2,604**
Derivatives:									
Interest rate swaps	-	-	-	-	-	-	52	112	43
Currency swaps	-	-	-	-	-	-	13	-	36
Total derivatives							**65**	**112**	**79**
Finance lease liabilities	-	-	-	-	**150**	**-**	**150**	**146**	**146**
Loans and borrowings	-	4.39%	-	-	**26,205**	**13,056**	**26,064**	**29,618**	**33,959**
Non-current liabilities							20,416	24,011	28,181
Current liabilities							5,648	5,607	5,778
Loans and borrowings							**26,064**	**29,618**	**33,959**
Cash and cash equivalents and other financial items 2)							(3,413)	(3,663)	(4,054)
Net debt							**22,651**	**25,955**	**29,905**

The fair value of loans and borrowings is disclosed in note 8.7, Financial assets and liabilities.

1) For the Term Facility B USD facility maturing in 2018, Libor has a floor of 1%, i.e. the base rate is the higher of Libor or 1%.

2) Includes the positive fair value of currency swaps of DKK 21 million (2012/2011: DKK 48 million/DKK 0 million), the loan to FS Invest S.à r.l of DKK 98 million (2012/2011: DKK 71 million/DKK 0 million) and securities of DKK 17 million (2012/2011: DKK 16 million/DKK 17 million).

NOTE 5.2 Loans and borrowings (continued)

In 2013, financing fees amounting to DKK 193 million (2012/2011: DKK 10 million/DKK 174 million) have been recognised in loans and borrowings while accumulated financing fees recognised in loans and borrowings on 31 December 2013 amounted to DKK 188 million (2012/2011: DKK 170 million/DKK 347 million).

Refinancing 2013

In April 2013, ISS refinanced its EUR 600 million Second Lien Facility and received support from lenders consenting to a three-year extension of the predominant part of the Senior Credit Facilities to either December 2017 or April 2018. The new tranches refinancing the EUR 600 million Second Lien Facility were split between two tranches of EUR 330 million and USD 350 million, respectively, which resulted in a new consortium of lenders consisting of both existing and new lenders.

The refinancing resulted in a margin increase of 50 bps on Term Facility B and 25 bps on the Revolving Credit Facility, the Letter of Credit Facility as well as the Acquisition Facility B leaving all extended tranches at an initial margin of 400 bps, but with step-downs applying following a leverage ratchet. On the new term facilities refinancing the Second Lien Facility margins applying to the EUR and USD tranches are initially 350 bps and 275 bps, respectively.

Additionally, ISS completed two excess proceeds offers and conditional partial redemptions of the EUR 581.5 million 8.875% Senior Subordinated Notes due 2016 in an aggregate amount of EUR 325.2 million.

The impact on the income statement of the refinancing and the redemption of bonds is shown in note 5.7, Financial income and financial expenses.

Furthermore, in August 2013, the securitisation programme was extended with one year to September 2015. The size of the credit facility was kept unchanged at DKK 3.0 billion (EUR 400 million) and the pricing of the programme was reduced by 25 bps on the interest margin.

Refinancing 2012

In August 2012, the maturity of the Group's securitisation programme was extended with one year from September 2013 to September 2014. The principal value of the facility of DKK 3.0 billion (EUR 400 million) was unchanged.

In December 2012, the 11% Senior Notes due 2014 of DKK 3,917 million (EUR 525 million) were fully redeemed via proceeds from the capital increase in ISS A/S following the investment by OTPP and KIRKBI.

Refinancing 2011

Effective 24 June 2011, ISS extended certain tranches under its Senior Facilities Agreement and implemented other amendments intended to increase the operational flexibility and among other things approved the capacity to increase its Revolving Credit Facility by an additional DKK 1.5 billion. Consequently, 96% of the Term Facility B and Acquisition Facility B was extended from December 2013 to April 2015, and 98% of the Revolving Credit Facility and Letter of Credit Facility was extended from June 2012 to December 2014. An interest margin increase of 150 bps was applied across the extended tranches, and an interest margin increase of 50 bps was applied for the lenders in the Second Lien Facility that consented to the amendments. The refinancing was executed as a non-cash transaction.

Furthermore, effective 1 July 2011 the maturity of the Group's securitisation programme was extended with one year from September 2012 to September 2013, the principal value of the facility was reduced from DKK 3.7 billion (EUR 500 million) to DKK 3.0 billion (EUR 400 million), and the margin was reduced by 25 bps.

Bonds

Subordinated Notes ISS A/S has outstanding EUR 256.3 million 8.875% Subordinated Notes maturing on 15 May 2016. Notes of EUR 454 million were originally issued in May 2006, and in March 2010, an additional EUR 127.5 million was issued under the same indenture. In July and December 2013, a total of EUR 325.2 million were redeemed as explained above under Refinancing 2013. The notes are listed and traded on the Euro MTF market of the Luxembourg Stock Exchange.

EMTNs ISS Global has issued EUR 110.4 million of 4.50% senior unsecured Medium Term Notes maturing on 8 December 2014. The notes are listed on the Luxembourg Stock Exchange and traded on the regulated market of the Luxembourg Stock Exchange.

NOTE 5.2 Loans and borrowings (continued)

Bank loans

Senior Facilities

ISS A/S and its subsidiaries are borrowers under the Senior Facility consisting of Term Loans, Acquisition Facilities, a Revolving Credit Facility and a Letter of Credit Facility. The Senior Facilities mature between 2013 and 2018 and include customary loan covenant clauses. The senior lenders comprise a syndicate of international banks and institutional investors. At 31 December 2013, ISS had Senior Facilities of DKK 23.0 billion under which DKK 19.8 billion was drawn and DKK 0.7 billion was allocated to support performance bonds issued by operating subsidiaries.

Borrowings under the Revolving Credit Facility are primarily provided by local lenders to certain subsidiaries.

The letter of Credit Facility is used for issuing letters of credit primarily in support of borrowings, other than borrowings under the Revolving Credit Facility or the Secured Local Facilities.

Other credit facilities

ISS had DKK 1.0 billion of other credit facilities as of 31 December 2013. Such facilities comprise mainly other local credit facilities and finance leases, which are not part of the Senior Facilities.

Securitisation

ISS has established a securitisation programme with a credit facility of DKK 3.0 billion of which DKK 2.8 billion had been utilised at 31 December 2013. The programme includes Austria, Belgium, Denmark, France, Germany, the Netherlands, Norway, Spain, Sweden and the United Kingdom.

In August 2013, the maturity of the securitisation programme was extended for the third time by one year from September 2014 to September 2015. The securitisation programme can be extended for an additional year at a time, and since it is structured according to S&P's methodology this can be done either with the existing banks (HSBC and Nordea) or a third party, should this become relevant.

NOTE 5.3 Liquidity risk

Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. Raising capital is managed centrally in Group Treasury. The purpose is to ensure efficient liquidity management, which mainly comprise ensuring that adequate liquidity is available to the Group. Group Treasury mitigates liquidity risk by obtaining borrowing facilities with highly rated financial institutions, via issued bonds, bank loans and securitisation and via effective working capital management.

For day-to-day liquidity management cash pools have been established in several local entities. As a result excess liquidity is transferred to and from ISS Global A/S, which operates as the internal bank of the Group.

The Group's liquid reserves mainly consist of liquid funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. As at 31 December 2013, the Group's liquid reserves consisted of readily available liquid funds of DKK 3,113 million (2012/2011: DKK 3,353 million/DKK 3,613 million) and unused revolving credit facilities of DKK 2,970 million (2012/2011: DKK 2,140 million/DKK 957 million) where the majority is available for drawing until 31 December 2017. It is the Group's policy to maintain an appropriate level of liquid reserves. Cash in the Group's consolidated SPEs under the securitisation programme amounts to DKK 1,532 million (2012/2011: DKK 1,311 million/ DKK 1,313 million), of which DKK 133 million (2012/2011: DKK 110 million/DKK 392 million) are excluded from the liquid reserves as they are not considered readily available for general use by the parent company or other subsidiaries at 31 December 2013. In addition DKK 31 million (2012/2011: DKK 65 million/DKK 32 million) of the total cash position at 31 December 2013 was placed on blocked or restricted bank accounts due to legal circumstances.

The bank loans and Subordinated Notes are subject to customary undertakings, covenants (including financial covenants) and other restrictions. Financial covenants comprise: i) Debt cover ii) Senior debt cover, iii) Cash flow cover, iv) Interest cover and v) Limitation on Capex spending. The financial covenants are calculated on a last-twelve-months basis and reported quarterly, except for ii) and v), which are only reported at year-end. In the event of a default under those agreements, the debt incurred including accrued interest could be declared immediately due and payable. In 2013, 2012 and 2011, all covenants have been complied with.

NOTE 5.3 Liquidity risk (continued)

Contractual maturities of financial liabilities

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown below. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at the reporting date.

The risk implied from the values in the maturity table below reflects the one-sided scenario of cash outflows only. Finance lease liabilities, trade payables, contingent considerations and deferred payments mainly originate from the financing of assets such as property, plant and equipment and investments in working capital, e.g. trade and other receivables.

2013 DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	2,703	3,173	1,028	170	1,975	-	-	-
Bank loans	20,386	24,313	2,883	2,389	1,363	1,452	16,226	0
Securitisation	2,760	2,773	2,773	-	-	-	-	-
Finance lease liability	150	166	56	45	35	21	6	3
Trade payables	3,436	3,436	3,436	-	-	-	-	-
Contingent considerations and deferred payments	108	131	17	24	87	3	-	-
Liabilities classified as held for sale	247	247	247	-	-	-	-	-
Total non-derivative financial liabilities	**29,790**	**34,239**	**10,440**	**2,628**	**3,460**	**1,476**	**16,232**	**3**
Hereof estimated interest payments	**-**	**4,241**	**1,085**	**968**	**923**	**943**	**322**	**0**
Interest rate swaps	52	52	44	8	-	-	-	-
Currency swaps	13	13	13	-	-	-	-	-
Total derivative financial liabilities	**65**	**65**	**57**	**8**	**-**	**-**	**-**	**-**

2012 DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	5,075	6,532	422	1,243	385	4,482	-	-
Bank loans	21,668	23,669	3,784	759	19,117	1	1	7
Securitisation	2,617	2,637	2,637	-	-	-	-	-
Finance lease liability	146	165	55	40	28	22	20	0
Trade payables	3,669	3,669	3,669	-	-	-	-	-
Contingent considerations and deferred payments	128	178	23	28	2	125	-	-
Liabilities classified as held for sale	126	126	126	-	-	-	-	-
Total non-derivative financial liabilities	**33,429**	**36,976**	**10,716**	**2,070**	**19,532**	**4,630**	**21**	**7**
Hereof estimated interest payments	**-**	**3,288**	**1,273**	**1,181**	**688**	**145**	**1**	**-**
Interest rate swaps	112	113	61	47	5	-	-	-
Total derivative financial liabilities	**112**	**113**	**61**	**47**	**5**	**-**	**-**	**-**

NOTE 5.3 Liquidity risk (continued)

Contractual maturities of financial liabilities (continued)

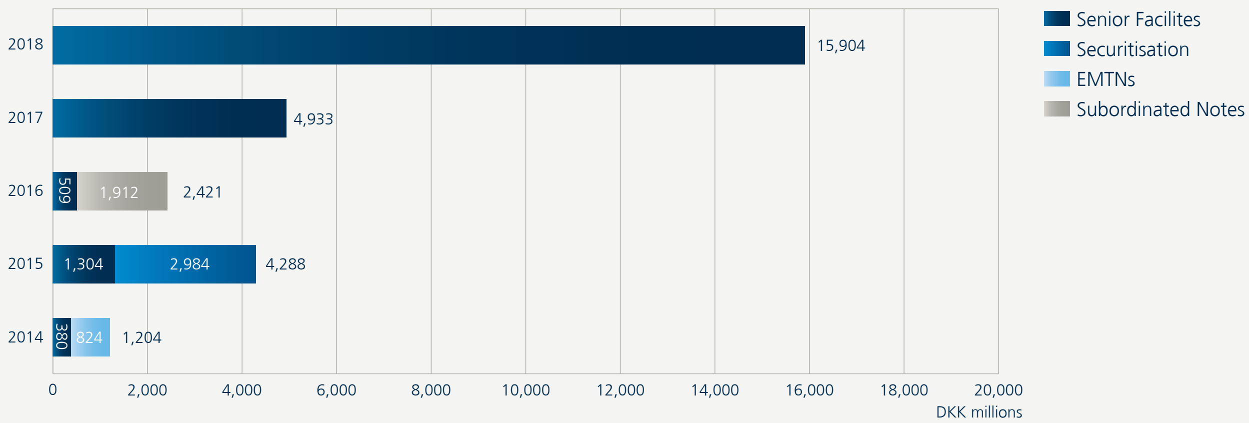
2011 DKK million	Carrying amount	Contrac-tual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	8,819	11,887	850	850	5,337	384	4,466	-
Bank loans	22,311	25,780	4,113	1,451	1,031	19,185	-	-
Securitisation	2,604	2,639	2,639	-	-	-	-	-
Finance lease liability	146	159	65	44	33	11	5	1
Trade payables	3,466	3,466	3,466	-	-	-	-	-
Contingent considerations and deferred payments	162	214	53	12	23	1	125	-
Liabilities classified as held for sale	32	32	32	-	-	-	-	-
Total non-derivative financial liabilities	**37,540**	**44,177**	**11,218**	**2,357**	**6,424**	**19,581**	**4,596**	**1**
Hereof estimated interest payments	**-**	**6,178**	**1,910**	**1,761**	**1,587**	**780**	**140**	**-**
Interest rate swaps	43	43	30	13	-	-	-	-
Currency swaps	36	36	36	-	-	-	-	-
Total derivative financial liabilities	**79**	**79**	**66**	**13**	**-**	**-**	**-**	**-**

The maturity profile of credit facilities, i.e. issued bonds, bank loans and securitisation, is illustrated below. Compared to the specification of contractual maturities of financial liabilities in the table on page 131, the basis of the presentation in the chart below is different in three ways:

1) expected interest payments are not included;
2) the amounts shown are principal values including any undrawn amounts; and
3) securitisation debt is presented with maturity in September 2015 as the facility is committed until then. This is contrary to the recognition in the statement of financial position, where securitisation debt is classified as current due to the terms of the agreement.

The presentation of the contractual maturity of credit facilities above is based on the assumption that the amount of trade receivables entered into the securitisation programme continue to be at the same level as at 31 December 2013.

Maturity of the credit facilities



NOTE 5.4 Currency risk

Currency risk is the risk that arises from changes in exchange rates and affects the Group's result or value of financial instruments.

To a limited extent the Group is exposed to currency risk on loans and borrowings (external) that are denominated in currencies other than the functional currency of the reporting entities as well as intercompany loans from the parent company to foreign subsidiaries as these are typically denominated in the functional currency of the subsidiary.

The Group's overall policy is to fully hedge any foreign exchange exposure towards DKK or towards EUR to the extent that the net exposure exceeds DKK 5 million. Correlation between certain currencies, e.g. USD and Asian or Latin American currencies, are taken into account. However, some currencies cannot be hedged within a reasonable price range, e.g. IDR and ISK, and are therefore not hedged. Based on a risk assessment Group Treasury may choose not to hedge the risk exposure towards EUR. It has been the Group's policy not to hedge intercompany royalties until they become a monetary receivable.

The Group holds a number of investments in foreign subsidiaries where the translation of net assets to DKK is exposed to currency risk. It is not Group policy to hedge the currency exposure on foreign investments. Consequently, no hedging transactions of net investments in foreign subsidiaries were entered into in 2013, 2012 and 2011. However, the Group may choose to hedge the currency exposure on foreign investments by funding such investments in local currencies.

The Group uses currency swaps to hedge the currency risk related to loans and borrowings as well as intercompany loans from the parent company to foreign subsidiaries. All hedging is conducted at Group level. Group Treasury measures the Group's total currency exposure of all loans and borrowings, intercompany balances and cash and cash equivalents in different currencies on a weekly basis in order to evaluate the need for hedging currency positions. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement, hedge accounting in accordance with IAS 39 is not applied.

The Group's loans and borrowings (external) are denominated in the following currencies (excluding impact from currency swaps). As illustrated the Group is exposed primarily to EUR, secondly to USD and GBP.

	2013	2012	2011
EUR	78.2%	84.6%	85.8%
USD	7.2%	0.0%	0.0%
GBP	6.2%	5.2%	5.0%
DKK	3.7%	6.0%	4.4%
NOK	2.3%	2.0%	2.3%
SEK	1.6%	1.3%	1.5%
Others	0.8%	0.9%	1.0%
Total	**100.0%**	**100.0%**	**100.0%**

Impact on the consolidated financial statements Fluctuations in foreign exchange rates will affect the value of loans and borrowings (external) as well as the income statement as funding is obtained in various currencies. In 2013, changes in foreign exchange rates related to loans and borrowings resulted in a gain of DKK 134 million (2012/2011: loss of DKK 149 million/gain of DKK 28 million). The primary impact is derived from loans and borrowings in GBP and USD which depreciated through 2013.

Sensitivity analysis Based on the Group's internal monitoring processes, it is estimated that a change in relevant foreign exchange rates would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown on page 134. The analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date and that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

NOTE 5.4 Currency risk (continued)

2013 DKK million	Face value Net debt exposure	Carrying amount Derivative financial instruments (cash flow hedges)	Contractual value Derivative financial instruments (currency swaps)	Total exposure	Sensitivity Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(13,042)	(52)	1,459	(11,635)	1%	(116)	(116)
GBP/DKK	(2,079)	-	2,069	(10)	10%	(1)	(1)
NOK/DKK	(113)	-	131	18	5%	1	1
SEK/DKK	112	-	(109)	3	5%	0	0
CHF/DKK	(254)	-	259	5	5%	0	0
USD/DKK	(1,504)	-	583	(921)	10%	(92)	(92)
AUD/DKK	392	-	(384)	8	10%	1	1
EUR/TRY	(334)	-	-	(334)	10%	(33)	(33)
Other/DKK	1,612	-	(850)	762	10%	76	76
Total	**(15,210)**	**(52)**	**3,158**	**(12,104)**			

2012 DKK million	Face value Net debt exposure	Carrying amount Derivative financial instruments (cash flow hedges)	Contractual value Derivative financial instruments (currency swaps)	Total exposure	Sensitivity Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(16,805)	(112)	4,122	(12,795)	1%	(127)	(128)
GBP/DKK	(1,720)	-	1,709	(11)	10%	(1)	(1)
NOK/DKK	457	-	(455)	2	5%	0	0
SEK/DKK	179	-	(175)	4	5%	0	0
CHF/DKK	(338)	-	341	3	10%	0	0
AUD/DKK	1,543	-	(1,534)	9	10%	1	1
EUR/TRY	(344)	-	-	(344)	10%	(34)	(34)
Other/DKK	2,339	-	(2,185)	154	10%	15	15
Total	**(14,689)**	**(112)**	**1,823**	**(12,978)**			

2011 DKK million	Face value Net debt exposure	Carrying amount Derivative financial instruments (cash flow hedges)	Contractual value Derivative financial instruments (currency swaps)	Total exposure	Sensitivity Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(20,377)	(37)	5,121	(15,293)	1%	(153)	(153)
GBP/DKK	(1,313)	(6)	1,315	(4)	10%	0	(0)
NOK/DKK	583	(0)	(581)	2	5%	0	0
SEK/DKK	112	0	(110)	2	5%	0	0
CHF/DKK	(330)	(0)	327	(3)	10%	(0)	(0)
AUD/DKK	1,383	-	(1,377)	6	10%	1	1
EUR/TRY	(381)	-	-	(381)	10%	(38)	(38)
Other/DKK	2,807	-	(2,287)	520	10%	52	52
Total	**(17,516)**	**(43)**	**2,408**	**(15,151)**			

NOTE 5.5 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments, primarily bank loans and issued bonds. The Group's exposure towards interest rates is illustrated in note 5.2, Loans and borrowings, where a breakdown of the Group's loans and borrowings in floating and fixed rates is provided. The interest rate exposure to floating interest rates is primarily in EUR.

It is Group policy to hedge the risk related to changes in interest rates to limit the negative economic effect of changes in interest rates by converting variable interest rates to fixed interest rates. The Group will mitigate the net interest rate risk via interest rate swaps. Additionally, it is the Group's policy to ensure a predefined amount of debt to fixed interest rates to avoid adverse movements in floating rates and interest expenses.

According to the Group's treasury policy between 50% and 75% of the Group's total non-current bank loans and issued bonds must carry fixed interest rates. At least on a monthly basis Group Treasury measures the balance between fixed and variable interest rates to ensure compliance with the policy.

The Group uses cash flow hedge accounting in respect of interest rate derivatives. The interest rate contracts classified as hedge transactions including the effect on other comprehensive income are disclosed in note 5.6, Derivatives.

Sensitivity analysis The interest rate risk is measured by the duration of the net debt (fixed-rate period). As at 31 December 2013, the duration of net debt was approximately 0.9 years (2012/2011: 1.7 years/1.5 years). A decrease in interest rates will increase the fair value of the loans and borrowings with a fixed interest rate, but only part of this increase will be reflected in the income statement and other comprehensive income as loans and borrowings are measured at amortised cost and therefore not adjusted to fair value.

It is estimated that a general increase in relevant interest rates of 1%-point would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The estimate is based on net debt adjusted for the effect of hedging instruments as at 31 December 2013. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012 and 2011.

	2013		2012		2011	
DKK million	Profit for the year	Other comprehensive income	Profit for the year	Other comprehensive income	Profit for the year	Other comprehensive income
Loans and borrowings	(71)	(71)	(80)	(80)	(65)	(65)
Derivatives, interest rate swaps	-	117	-	245	-	128

NOTE 5.6 Derivatives

The Group uses derivative financial instruments (interest rate swaps and currency swaps) for managing interest and currency risks arising from the Group's operating and financing activities.

The Group uses interest rate swaps to hedge the exposure to variability in future cash flows due to changes in interest rates on the Group's bank loans with a variable interest rate. The swaps convert a major part of the floating rates within the bank loans to fixed interest rates.

The Group uses currency swaps to hedge the exposure to currency risk on the intercompany loans/receivables to/from foreign subsidiaries as well as the currency risk on external borrowings denominated in a currency other than Danish Kroner. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement, hedge accounting in accordance with IAS 39 is not applied. Consequently, currency swaps are not presented in this or other notes to the consolidated financial statements.

Accounting policy

Derivative financial instruments are recognised in the statement of financial position on the transaction date and measured at fair value. Positive and negative fair values of derivative financial instruments are included in Other receivables or Loans and borrowings, respectively. Positive and negative values are only offset when the Group has the legal right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are calculated on the basis of current market data and according to generally accepted valuation methods.

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying for recognition as a cash flow hedge, and which effectively hedges changes in the value of the hedged item, are recognised in other comprehensive income and presented in a separate hedging reserve in equity until the hedged transaction is realised. At this time, gains or losses concerning such hedging transactions are transferred from other comprehensive income to the income statement and recognised under the same line item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The accumulated change in fair value recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item affects the income statement. If the forecasted transaction is no longer expected to occur, then the accumulated change in fair value is transferred to the income statement.

For other derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement under Financial income or Financial expenses.

Hedging of forecasted transactions (cash flow hedges)

Total cash flow hedges at the reporting date are presented below:

DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net, at 31 December	Recognised in other comprehensive income for the year	Expected recognition in the income statement
31 December 2013	13,056	-	(52)	(52)	84	2014-2015
31 December 2012	13,056	-	(112)	(112)	(62)	2014-2015
31 December 2011	14,306	0	(43)	(43)	92	2012-2013

The fair value of cash flow hedges, net, recognised in other comprehensive income for the year, amounted to DKK 84 million (2012/2011: DKK (62) million/DKK 92 million) and included DKK 24 million (2012/2011: DKK 7 million/DKK 0 million) related to interest rate adjustments following settlement of interest rate swaps.

In 2013, 2012 and 2011, no ineffectiveness was recognised in the income statement.

NOTE 5.7 Financial income and financial expenses

DKK million	2013	2012	2011
Interest income on financial assets measured at amortised cost	134	149	125
Foreign exchange gains	36	68	72
Financial income	**170**	**217**	**197**
Interest expenses on financial liabilities measured at amortised cost	(1,894)	(2,441)	(2,556)
Foreign exchange losses	(298)	(255)	(196)
Amendment and extension of the Senior Facilities Agreement	(89)	-	(117)
Net change in fair value of cash flow hedges	(80)	(52)	(106)
Redemption of issued bonds	(52)	(174)	-
Net interest on defined benefit obligations	(33)	(21)	(24)
Financial expenses	**(2,446)**	**(2,943)**	**(2,999)**

Amendment and extension of the Senior Facilities Agreement in 2013 related to the amendment and extension of the Senior Facilities Agreement and the refinancing of the Second Lien Facility which resulted in unamortised financing fees of DKK 89 million being expensed. In 2011, certain tranches of the Senior Facilities Agreement was amended and extended leading to DKK 117 million of unamortised financing fees being expensed.

Redemption of issued bonds related to the 8.875% Senior Subordinated Notes due 2016, which were partially redeemed following excess proceeds offers in June and December 2013. This resulted in an expense of DKK 52 million being recognised in the income statement of which DKK 30 million related to call premiums and DKK 22 million related to unamortised financing fees. In 2012, the redemption of the 11% Senior Notes due 2014 were redeemed via proceeds from the capital increase in ISS A/S following the investment by OTPP and KIRKBI resulting in an expense of DKK 174 million being recognised due to a call premium of DKK 108 million and unamortised financing fees of DKK 66 million.

Section 6
Governance

In this section the Group's key management personnel is defined and remuneration to this group of employees is described in detail. Furthermore, transactions with related parties are disclosed, comprising transactions with parent and ultimate controlling party, transactions with the Group's key management personnel as well as other related party transactions.

In this section, the following notes are presented:

6.1 Remuneration to the Board of Directors and the Group Management Board
6.2 Related parties
6.3 Fees to auditors elected at the Annual General Meeting

NOTE 6.1 Remuneration to the Board of Directors and the Group Management Board

The Group Management Board (the GMB) comprise the Executive Group Management Board (the EGM) and Corporate Senior Officers of the Group. Members of the GMB have authority and responsibility for planning, implementing and controlling the Group's activities and are together with the Board of Directors (the Board) considered as the Group's key management personnel.

	2013			2012		
		Group Management Board			Group Management Board	
DKK thousand	Board of Directors	Executive Group Management Board	Corporate Senior Officers	Board of Directors	Executive Group Management Board	Corporate Senior Officers
Salaries and other remuneration	2,930	19,678	35,898	3,197	14,329	43,912
Bonus	-	12,091	18,054	-	3,560	14,120
Severance payments [1]	-	-	-	-	-	10,719
Share-based payments [2]	-	-	-	-	563	837
Total remuneration	**2,930**	**31,769**	**53,952**	**3,197**	**18,452**	**69,588**

	2011		
		Group Management Board	
DKK thousand	Board of Directors	Executive Group Management Board	Corporate Senior Officers
Salaries and other remuneration	3,999	13,893	48,723
Bonus	-	2,850	17,086
Severance payments [1]	-	15,607	7,476
Share-based payments [2]	-	233	618
Total remuneration	**3,999**	**32,583**	**73,903**

[1] Severance payments related to senior management changes at Corporate level and were included in Other income and expenses, net.
[2] Included in Other income and expenses, net.

NOTE 6.1 Remuneration to the Board of Directors and the Group Management Board (continued)

Remuneration to the Board

Members of the Board, except representatives of funds advised by EQT Partners (EQT), funds advised by affiliates of The Goldman Sachs Group, Inc. (GSCP) and Ontario Teachers' Pension Plan Board through 2337323 Ontario Limited (OTPP), received remuneration for duties performed in ISS A/S and other companies within the ISS Group. The remuneration is a fixed annual fee and members of the Board Committees received an additional fixed fee. Certain members of the Board have invested indirectly in shares of FS Invest as part of the Directors' Participation Programme as described below.

Remuneration to the EGM and the GMB

The members of the EGM and the GMB received remuneration for duties performed in ISS A/S and other companies within the ISS Group. The remuneration consists of a combination of fixed salary, customary benefits in accordance with market standards and, for most members, a performance-based annual bonus of up to 60% of their annual base salary, which in the event of extraordinary performance (significantly above budget) can be up to 90% of the annual base salary. The bonus is subject to achieving performance targets for the Group's key financial KPIs; organic growth, operating margin and cash conversion. Certain members of the EGM and the GMB are also subject to a cash bonus scheme totaling DKK 13 million triggered by the completion of an Initial Public Offering (IPO) or a sale of the company.

The EGM and the GMB participate in a Long-Term Incentive Programme (LTIP). The LTIP is cash-based and the annual grant has a value of up to 15% of the annual base salary. Subject to achieving performance targets for operating profit and net debt and the occurrence of a vesting event (e.g. an IPO or a sale of the majority of shares of ISS to a third party), the LTIP will pay out in the range of 20% to 150% of the grant value. The maximum pay-out in such event is 22.5% of the annual base salary.

All employment contracts of the EGM and the GMB members may be terminated at 12-24 months' notice, except for one contract where termination is subject to Portuguese law. Each of the EGM and the GMB members may terminate their positions with 6 months' notice. One employment contract includes a severance payment of approximately two years' salary in the event of termination by ISS. No other members of the EGM or the GMB are entitled to severance payments. Members of the EGM and the GMB are subject to non-competition clauses. Members of the GMB (other than members of EGM) are subject to non-solicitation of customers clauses for a period of 12 months from the expiry of their notice periods, except for two members who are only subject to non-competition clauses, and one member who is only subject to a non-solicitation clause regarding customers and certain employees. The employment contracts contain no other special termination rights and no change of control clauses.

Directorships in companies within the ISS Group held by members of the EGM or the GMB are not remunerated separately.

The members of the EGM and certain senior officers [1)] participate in the Management Participation Programme as described below.

Remuneration to the Board, the EGM and the GMB is paid by ISS World Services A/S.

Management Participation Programme

In 2006, EQT and GSCP established a Management Participation Programme (MPP) through which the EGM and a number of senior officers [1)] of the Group have invested. In March 2012, the programme was re-designed to introduce two investment profiles. The EGM and certain senior officers of the Group remained indirect investors in a mix of shares and warrants of FS Invest, whereas the remaining senior officers of the Group – having had the opportunity to settle part of their investment in cash – invested directly or indirectly in shares or loan notes of FS Invest. During 2013, the new members of the EGM and a number of senior officers entered the MPP by investing indirectly in a mix of shares and warrants in FS Invest and certain senior officers of the Group entered the MPP by investing indirectly in shares in FS Invest. As of 31 December 2013, the investments amounted to DKK 171 million in total for 110 executives and officers [2)].

The investments in FS Invest were made on market terms and hence are not share-based payments within the scope of IFRS 2 Share-based Payment.

Warrants granted as part of the original MPP

In addition to the investments – as part of the initial MPP – the EGM and a number of Corporate Officers [3)] were granted warrants in FS Invest with a vesting schedule based on value of shares and time. These warrants were granted in July 2006 as a one-time grant. The fair value of the warrants was estimated to DKK 25 million at the time of grant measured using the Black-Scholes option pricing model based on the assumptions at the time of grant and exercise restrictions. The warrants were accounted for within the scope of IFRS 2 as equity-settled transactions whereby the fair value at grant date is expensed in the income statement over the vesting period. At 1 January 2012, 277,632 warrants were outstanding. As part of the redesign of the MPP in March 2012 these warrants were all settled and consequently, the remaining fair value in respect of the granted warrants of DKK 3 million (2011: DKK 1 million) was recognised in the income statement under Other income and expenses, net.

Directors' Participation Programme

Certain members of the Board participate in a Directors' Participation Programme, under which they have invested indirectly in shares in FS Invest. At 31 December 2013, the investments amounted to a total of approximately DKK 15 million covering four members of the Board [2)].

1) Senior officers of the Group comprises Corporate Senior Officers (members of the GMB other than members of the EGM) and other corporate officers of the Group as well as certain members of Country Management of certain countries.
2) Former executives and officers are not included.
3) Corporate officers of the Group comprises Corporate Senior Officers (members of the GMB other than members of the EGM) and other corporate officers.

NOTE 6.2 Related parties

Parent and ultimate controlling party

The sole shareholder of ISS A/S, FS Invest II S.à r.l (FS Invest II) has controlling influence in the Group. The ultimate controlling company of the Group is FS Invest S.à r.l (FS Invest), which is owned by EQT (40%), GSCP (33%), OTPP (18%) and KIRKBI (8%). The latter two joined as shareholders in August 2012, when they invested DKK 3,721 million (EUR 500 million) in new shares in FS Invest. The proceeds from the investment was subsequently used to increase the share capital of ISS A/S and repay the 11% Senior Notes due 2014. Apart from this transaction, there were no significant transactions with the parent in 2013, 2012 and 2011.

The Group has issued a loan to FS Invest with a principal amount of DKK 86 million of which DKK 20 million was issued during 2013 and DKK 66 million was issued in 2012. In 2013, the Group accrued interest of DKK 7 million (2012: DKK 5 million) related to the loan, and at 31 December 2013, the outstanding balance was DKK 98 million (31 December 2012: DKK 71 million). Apart from these transactions, there were no significant transactions with the ultimate parent during 2013, 2012 and 2011.

Key management personnel

Apart from remuneration and co-investment programmes there were no significant transactions during 2013, 2012 and 2011 with the Group's key management personnel. Note 6.1, Remuneration to the Board of Directors and the Group Management Board, contains a description of the co-investment programmes as well as the definition of key management personnel.

Other related party transactions

In 2013, 2012 and 2011, the Group had the following transactions with other related parties, which were all made on market terms:

- The Group and Goldman Sachs International, an affiliate of The Goldman Sachs Group, Inc., have agreed general terms and conditions for the supply of facility services to be applied by local ISS operations and local Goldman Sachs affiliates when contracting with each other. ISS in Switzerland, Russia and the United Kingdom have entered into facility services agreements with local Goldman Sachs affiliates. In 2013, the annual revenue from these agreements is estimated to DKK 102 million (2012/2011: DKK 118 million/DKK 101 million). Furthermore, the Group has local agreement terms with affiliates of Goldman Sachs in France, Singapore, Brazil and China. Finally, ISS in Spain and Italy are subcontractors to local Goldman Sachs suppliers. In 2013, the annual revenue from the local and subcontractor agreements is estimated to DKK 7 million (2012/2011: DKK 8 million/DKK 9 million).

- The Group and Goldman Sachs International have entered into various agreements on provision of funding and banking related services as well as interest rate swaps. In 2013, fees paid under these agreements amounted to approximately DKK 28 million (2012/2011: DKK 0 million/DKK 16 million) and net interest paid relating to interest rate swaps in 2013 amounted to DKK 5 million (2012/2011: DKK 6 million/DKK 13 million).

- Affiliates of GSCP are holders of 2014 EMTNs.

- Affiliates of GSCP are lenders under the Senior Facilities. At 31 December 2013, the outstanding balance was DKK 1,343 million (31 December 2012/31 December 2011: DKK 1,581 million/DKK 1,739 million) and in 2013, interest expenses amounted to DKK 56 million (2012/2011: DKK 67 million/DKK 68 million).

- Goldman Sachs International is acting as Joint Global Coordinator and Joint Bookrunner of the initiated Initial Public Offering (IPO).

- In May 2013, Anticimex, an affiliate of EQT, acquired the pest control activities in 12 countries as mentioned in note 4.1, Acquisition and divestment of businesses, for a total enterprise value of approximately DKK 2 billion.

- The Group has entered into various agreements regarding delivery of facility services to companies owned by funds managed by EQT. In 2013, the annual revenue from these local and subcontractor agreements is estimated to DKK 3 million (2012/2011: DKK 27 million/DKK 90 million).

- In the solvent liquidation of MPP Invest 3A A/S, MPP Invest 3B A/S and MPP Invest 3C A/S, which were originally incorporated for the purpose of serving as joint holding companies for participants in the MPP (the former MPP companies), we have undertaken to indemnify the external legal counsel acting as liquidator from any liability (including any tax liability) arising from the engagement as liquidator. As a result of our group relation with the former MPP companies, we have agreed with FS Invest, on arguably arm's length terms, that we will be liable vis-à-vis the Danish tax authorities for taxes for which the former MPP companies were liable, if any. The former MPP companies were liquidated in December 2013 and at the time of liquidation they were wholly owned by FS Invest. We have estimated the maximum exposure related to any tax risk to approximately DKK 20 million. Based upon advice from our external tax advisers, we believe that the tax risk is remote.

Other

In addition to the above and except for intra-group transactions, which have been eliminated in the consolidated financial statements, there were no material transactions with other related parties and shareholders in 2013, 2012 and 2011.

NOTE 6.3 Fees to auditors elected at the Annual General Meeting

DKK million	2013	2012	2011
KPMG			
Audit fees	35	38	40
Other assurance services	6	5	29
Tax and VAT advisory services	11	11	10
Other services	16	15	3
Total KPMG	**68**	**69**	**82**

Audit fees comprised audit of the consolidated and local financial statements.

Other assurance services in 2013 and 2012 comprised mainly work related to the interim financial statements. In 2011, other assurance services further related to the exit processes. The costs related to the exit processes were included in Other income and expenses, net.

Tax and VAT advisory services comprised general tax and VAT consultancy and assistance.

Other services comprised among other things work related to acquisitions and divestments such as financial and tax due diligence. Furthermore in 2012 work related to the share issue following the investment by OTPP and KIRKBI was included. The costs related to the share issue amounted to DKK 2 million and were recognised in Equity.

Section 7
Tax

This section comprises all relevant disclosures and specifications regarding tax recognised in the consolidated financial statements.

The Group's effective tax rate for the years presented in the notes is generally negatively impacted by the Group's capital structure with a relatively high share of debt. As a consequence, the Group is affected by the rules concerning limitation on the deductibility of financial expenses in Denmark, France and Brazil. Following the redemption in December 2012 of the 11% Senior Notes due 2014 and the EUR 232 million partial redemption in July 2013 of 8.875% Senior Subordinated Notes due 2016 as well as in general a lower average net debt, financial expenses has been reduced significantly. Consequently, limitation on the deductibility of financial expenses is reduced leading to a drop in the effective tax rate in 2013.

In this section, the following notes are presented:

7.1 Income taxes
7.2 Deferred tax

NOTE 7.1 Income taxes

Accounting policy

Income tax for the year consists of current tax and changes in deferred tax and is recognised in profit for the year, other comprehensive income or equity.

Income tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts is presented in a separate line in connection with these two items.

Current tax receivable and payable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income for previous years and for tax paid on account.

Deferred tax is measured in accordance with the liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from in business combinations, arose at the time of acquisition without affecting either profit/loss for the year or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised under non-current assets at the expected value of their utilisation: either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets are assessed yearly and only recognised to the extent that it is more likely than not that they can be utilised.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset current tax assets and tax liabilities or intends to settle current tax assets and tax liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Deferred tax is adjusted for elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the taxation rules and tax rates in the respective countries applicable at the reporting date when the deferred tax is expected to be realised as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Critical accounting estimates and judgements

The recognition of deferred tax assets relating to tax losses carried forward is based on management's assessment of expected future profitability including the impact from interest limitation in the foreseeable future. The evaluation is made based on relevant information available at the reporting date, including internal budgets and estimates, taking into account any restrictions in utilisation in the local tax legislation.

NOTE 7.1 Income taxes (continued)

Income tax recognised in the income statement

DKK million	2013	2012	2011
Current tax regarding Profit before impairment/amortisation of intangibles [1]	969	869	765
Deferred tax regarding Profit before impairment/amortisation of intangibles [1]	(75)	68	118
Tax on Profit before impairment/amortisation of intangibles [1]	**894**	**937**	**883**
Adjustments relating to prior years, net	25	23	5
Income taxes	**919**	**960**	**888**
Tax effect of impairment/amortisation of intangibles [1]	**(229)**	**(193)**	**(231)**
Total tax recognised in the income statement	**690**	**767**	**657**

Computation of effective tax rate

	2013	2012	2011
Statutory income tax rate in Denmark	25.0 %	25.0 %	25.0 %
Foreign tax rate differential, net	(2.7)%	(2.3)%	(2.4)%
Total	**22.3 %**	**22.7 %**	**22.6 %**
Non-tax deductible expenses less non-taxable income	(1.0)%	3.6 %	3.5 %
Adjustments relating to prior years, net	1.3 %	1.7 %	0.4 %
Change in valuation of net tax assets	2.5 %	(0.5)%	0.9 %
Valuation allowance of tax assets	8.7 %	12.9 %	7.4 %
Effect of changes in tax rates	(0.8)%	(1.2)%	(0.4)%
Other taxes [2]	5.9 %	8.6 %	9.5 %
Limitation to interest deduction [3]	8.4 %	21.7 %	21.3 %
Effective tax rate (excluding effect from impairment/ amortisation of intangibles) [1]	**47.3 %**	**69.5 %**	**65.2 %**

[1] Intangibles comprise the value of goodwill, brands and customer contracts.
[2] Other taxes mainly comprise withholding tax and the French Cortisation sur La Valeur Ajoutee des Entreprises (CVAE).
[3] In 2013, the level was positively impacted by lower financial expenses as mentioned in the introduction to Section 7. In 2012, the level was impacted by costs relating to the redemption of the Senior Notes, and in 2011 the level was impacted by refinancing costs related to the amendment and extension of the Senior Facilities Agreement.

NOTE 7.1 Income taxes (continued)

Income tax recognised in Other comprehensive income

DKK million	2013 Before tax	2013 Tax	2013 Net of tax	2012 Before tax	2012 Tax	2012 Net of tax
Foreign exchange adjustment of subsidiaries and non-controlling interests	(796)	-	(796)	184	-	184
Fair value adjustment of hedges, net	4	(1)	3	(114)	29	(85)
Fair value adjustment of hedges, net, transferred to Financial expenses	80	(20)	60	52	(13)	39
Actuarial gains/(losses)	410	(76)	334	(516)	120	(396)
Impact from asset ceiling regarding pensions	(63)	-	(63)	1	-	1
Limitation to interest deduction	-	-	-	-	(16)	(16)
Total recognised in other comprehensive income	**(365)**	**(97)**	**(462)**	**(393)**	**120**	**(273)**

DKK million	2011 Before tax	2011 Tax	2011 Net of tax
Foreign exchange adjustment of subsidiaries and non-controlling interests	(46)	-	(46)
Fair value adjustment of hedges, net	(14)	4	(10)
Fair value adjustment of hedges, net, transferred to Financial expenses	106	(27)	79
Actuarial gains/(losses)	(133)	29	(104)
Impact from asset ceiling regarding pensions	8	-	8
Total recognised in other comprehensive income	**(79)**	**6**	**(73)**

NOTE 7.2 Deferred tax

DKK million	2013	2012	2011
Deferred tax liabilities/(assets), net at 1 January	1,205	1,516	1,650
Adjustment to deferred tax liabilities/(assets), net at 1 January	-	-	24
Foreign exchange adjustments	(30)	(2)	(17)
Disposals through divestments of businesses	(10)	(5)	-
Tax on other comprehensive income	76	(120)	(29)
Reclassification to Assets/(Liabilities) classified as held for sale	26	(59)	1
Tax on Profit before impairment/amortisation of intangibles [1)]	(75)	68	118
Tax effect of impairment/amortisation of intangibles [1)]	(229)	(193)	(231)
Deferred tax liabilities/(assets), net at 31 December	**963**	**1,205**	**1,516**
Recognised in the statement of financial position as follows:			
Deferred tax liabilities	1,590	1,755	2,051
Deferred tax assets	(627)	(550)	(535)
Deferred tax liabilities/(assets), net	**963**	**1,205**	**1,516**

[1)] Intangibles comprise the value of goodwill, brands and customer contracts.

NOTE 7.2 Deferred tax (continued)

Deferred tax specification

DKK million	Deferred tax asset 2013	Deferred tax asset 2012	Deferred tax asset 2011	Deferred tax liability 2013	Deferred tax liability 2012	Deferred tax liability 2011
Tax losses carried forward	357	440	484	-	-	-
Goodwill	5	8	22	401	448	441
Brands	-	-	-	419	443	446
Customer contracts	-	-	-	674	1,031	1,248
Property, plant and equipment	98	147	155	166	192	197
Provisions	247	256	180	-	-	-
Other liabilities, including pensions	13	83	3	-	-	-
Issued bonds	-	-	-	0	2	5
Tax losses in foreign subsidiaries under Danish joint taxation	-	-	-	23	23	23
Set-off within legal tax units and jurisdictions	(93)	(384)	(309)	(93)	(384)	(309)
Deferred tax	**627**	**550**	**535**	**1,590**	**1,755**	**2,051**

Deferred tax liabilities not recognised in the statement of financial position

In 2013, there were no (2012/2011: none/none) unrecognised deferred tax liabilities related to investments in associates, subsidiaries or joint ventures.

Deferred tax assets not recognised in the statement of financial position

The Group had significant unrecognised deferred tax assets regarding tax losses carried forward in the following countries:

DKK million	2013 Total	2013 Recognised	2013 Unrecognised	2012 Total	2012 Recognised	2012 Unrecognised	2011 Total	2011 Recognised	2011 Unrecognised
Germany	373	71	302	370	68	302	363	-	363
France	417	53	364	348	99	249	258	127	131
USA	81	14	67	80	74	6	57	53	4
Brazil	65	10	55	79	12	67	51	19	32
Mexico	21	8	13	15	15	-	7	7	-
Israel	63	8	55	65	16	49	16	2	14
Other countries	59	21	38	59	25	34	38	15	23
Total			**894**			**707**			**567**

The unrecognised tax losses can be carried forward indefinitely in the individual countries except for the USA (20 years). Deferred tax assets have not been recognised in respect of the above tax losses because it is not probable that future taxable profit will be available against which the Group can utilise these benefits. The increase in 2013 in unrecognised deferred tax assets mainly related to a valuation allowance of tax assets in France of DKK 115 million and the USA of DKK 56 million. In 2012, the increase in unrecognised deferred tax assets mainly related to valuation allowances of tax assets in France of DKK 118 million. In 2011, unrecognised deferred tax assets also increased, mainly due to a valuation allowance of tax assets in France of DKK 100 million as a result of new tax legislation.

Section 8
Other required disclosures

The notes to the consolidated financial statements are grouped into sections according to themes. In this section we present other required disclosures relevant for the understanding of the Group's consolidated financial statements, but which are not relevant for the understanding of the individual themes in the previous sections.

NOTE 8.1 Earnings per share

Profit attributable to ordinary shareholders

DKK million	2013	2012	2011
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts	**1,026**	**421**	**475**
Goodwill impairment	(985)	(385)	(501)
Amortisation and impairment of brands and customer contracts	(667)	(679)	(708)
Income tax effect	229	193	231
Net profit/(loss) for the year	**(397)**	**(450)**	**(503)**
Non-controlling interests	(2)	(3)	(7)
Net profit/(loss) for the year attributable to owners of ISS A/S	**(399)**	**(453)**	**(510)**
Average number of shares (in thousands)			
Average number of shares (basic)	**135,443**	**112,008**	**100,000**
Average numbers of shares (diluted)	**135,443**	**112,008**	**100,000**
Earnings per share			
Basic earnings per share (EPS), DKK	(2.9)	(4.0)	(5.1)
Diluted earnings per share, DKK	(2.9)	(4.0)	(5.1)
Adjusted earnings per share, DKK	7.6	3.8	4.7

There were no changes in the number of shares during 2013.

ISS A/S holds no treasury shares and there are currently no outstanding share options or warrants with dilutive effect. Consequently, average number of shares and diluted average number of shares is identical.

Adjusted earnings per share is calculated on the basis of Profit before goodwill impairment/amortisation and impairment of brands and customer contracts.

NOTE 8.2 Property, plant and equipment

Accounting policy

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost of assets comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use. The net present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost.

The cost of assets held under finance leases is stated at the lower of fair value of the asset and the net present value of future minimum lease payments. When calculating the net present value, the interest rate implicit in the lease or an approximated rate is applied as the discount rate.

A finance lease is a lease that transfers substantially all risks and rewards incident to ownership to the lessee. Other leases are classified as operating leases.

Subsequent costs, e.g. for replacing part of an item, are recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied by the item will flow to the Group. The replaced item is derecognised in the statement of financial position and transferred to the income statement. All other costs for common repairs and maintenance are recognised in the income statement when incurred.

Depreciation is based on the cost of an asset less its residual value. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The estimated useful life and residual value is determined at the acquisition date. If the residual value exceeds the carrying amount depreciation is discontinued.

Depreciation of property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives of the assets. Assets under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for current and comparative years are as follows:

	Estimated useful life
Buildings	20-40 years
Leasehold improvements	(the lease term) 5-12 years
Plant and equipment	3-10 years

Land is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Gains and losses arising on the disposal or retirement of property, plant and equipment are measured as the difference between the selling price less direct sales costs and the carrying amount, and are recognised in the income statement under Other operating expenses in the year of sale, except gains and losses arising on disposals of property, which are recognised under Other income and expenses, net.

Assets held under operating leases are not recognised in the statement of financial position. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

NOTE 8.2 Property, plant and equipment (continued)

DKK million	2013 Land and buildings	2013 Plant and equipment	2013 Total	2012 Land and buildings	2012 Plant and equipment	2012 Total
Cost at 1 January	134	6,428	6,562	152	6,229	6,381
Foreign exchange adjustments	(3)	(310)	(313)	5	66	71
Additions	0	772	772	4	785	789
Disposals through divestment of businesses	-	(21)	(21)	-	(33)	(33)
Disposals	(10)	(625)	(635)	(17)	(177)	(194)
Reclassification from/(to) Intangible assets	-	4	4	-	(35)	(35)
Reclassification to Assets classified as held for sale	(20)	(552)	(572)	(10)	(407)	(417)
Cost at 31 December	**101**	**5,696**	**5,797**	**134**	**6,428**	**6,562**
Depreciation and impairment losses at 1 January	(49)	(4,626)	(4,675)	(52)	(4,252)	(4,304)
Foreign exchange adjustments	2	227	229	(3)	(42)	(45)
Depreciation [1]	(3)	(643)	(646)	(3)	(703)	(706)
Disposals through divestment of businesses	-	(3)	(3)	-	26	26
Disposals	5	565	570	9	84	93
Reclassification (from)/to Intangible assets	-	(2)	(2)	-	-	-
Reclassification to Assets classified as held for sale	9	436	445	0	261	261
Depreciation and impairment at 31 December	**(36)**	**(4,046)**	**(4,082)**	**(49)**	**(4,626)**	**(4,675)**
Carrying amount at 31 December	**65**	**1,650**	**1,715**	**85**	**1,802**	**1,887**
Hereof carrying amount at 31 December of assets held under finance leases	**-**	**163**	**163**	**-**	**165**	**165**

DKK million	2011 Land and buildings	2011 Plant and equipment	2011 Total
Cost at 1 January	181	5,774	5,955
Foreign exchange adjustments	(6)	(22)	(28)
Additions	5	933	938
Disposals through divestment of businesses	-	(96)	(96)
Disposals	(16)	(235)	(251)
Reclassification from/(to) Intangible assets	-	(22)	(22)
Reclassification to Assets classified as held for sale	(12)	(103)	(115)
Cost at 31 December	**152**	**6,229**	**6,381**
Depreciation and impairment losses at 1 January	(60)	(3,840)	(3,900)
Foreign exchange adjustments	1	4	5
Depreciation	(4)	(711)	(715)
Disposals through divestment of businesses	-	72	72
Disposals	7	142	149
Reclassification (from)/to Intangible assets	-	4	4
Reclassification to Assets classified as held for sale	4	77	81
Depreciation and impairment at 31 December	**(52)**	**(4,252)**	**(4,304)**
Carrying amount at 31 December	**100**	**1,977**	**2,077**
Hereof carrying amount at 31 December of assets held under finance leases	**-**	**157**	**157**

[1] Including impairment losses of DKK 9 million recognised in Other income and expenses, net in connection with revaluation of the security activities in Israel being classified as held for sale at 31 December 2013.

NOTE 8.2 Property, plant and equipment (continued)

Plant and equipment under finance leases

The Group leases cleaning and office equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price at the end of the lease term. The leased equipment secures lease obligations.

In 2013, additions included assets held under finance leases of DKK 88 million (2012/2011: DKK 110 million/DKK 97 million).

Property and equipment under operating leases

The Group leases a number of properties, vehicles (primarily cars) and other equipment under operating leases. The leases typically run for a period of 2-5 years, with an option to renew the lease after that date.

The disclosed non-cancellable operating lease rentals below assume no early termination of any agreement:

DKK million	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 years	Total lease payments
At 31 December 2013	1,341	884	610	344	216	346	3,741
At 31 December 2012	1,444	950	655	413	229	388	4,079
At 31 December 2011	1,450	941	631	398	256	341	4,017

During 2013, DKK 1,964 million (2012/2011: DKK 2,116 million/DKK 2,105 million) was recognised as an expense in the income statement in respect of operating leases.

Leasing of cars is primarily entered under an international car fleet lease framework agreement which is valid until end 2018. The majority of the underlying agreements have a lifetime duration of 3-5 years.

NOTE 8.3 Other financial assets

Accounting policies

Other financial assets are initially measured at cost and subsequently measured at amortised cost with any resulting adjustment being recognised in the income statement.

Specification of other financial assets

DKK million	2013	2012	2011
Deposits	150	153	143
Regulatory long-term loans	98	100	72
Other	54	174	85
Other financial assets	**302**	**427**	**300**

Deposits comprise deposits related to rent, security and juridical deposits mainly relating to legal and tax cases.

NOTE 8.4 Pensions and similar obligations

The Group has entered into retirement benefit schemes and similar arrangements with the majority of the Group's employees. The majority of the Group's pension costs relate to defined contribution plans funded through payments of annual premiums to independent insurance companies responsible for the pension obligation towards the employees. Further, the Group has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group. Individual defined benefit plans are managed by legally autonomous institutions and the governing bodies of these institutions have an obligation to act in the interests of the plan participants. In the case of funded plans, they are also responsible for the investment strategy.

Accounting policy

Defined contribution plans Contributions to these plans are recognised in the income statement under Staff costs as the related service is provided. Any contributions outstanding are recognised in the statement of financial position as Other liabilities.

Defined benefit plans The Group's net obligation is calculated annually by a qualified actuary using the projected unit credit method. This calculation is done separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The present value less the fair value of any plan assets is recognised in the statement of financial position under Pensions and similar obligations.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Pension costs for the year are recognised in the income statement on the basis of actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised under Staff costs and net interest is recognised under Financial expenses. Differences between the expected development in pension assets and liabilities and the realised amounts at the end of the year are designated actuarial gains or losses and are recognised in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in the income statement under Staff costs. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits are recognised based on an actuarial calculation. Actuarial gains and losses are recognised in the income statement under Staff costs. Interest on long-term employee benefits are recognised under Financial expenses. Other long-term employee benefits comprise jubilee benefits, long-service or sabbatical leave etc.

Critical accounting estimates and judgement

The present value of defined benefit obligations is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. All assumptions are assessed at the reporting date. Changes in these assumptions may significantly affect the liabilities and pension costs under defined benefit plans. The range and weighted average of these assumptions as well as sensitivities on key assumptions are disclosed in this note.

The discount rates used for calculating the present value of expected future cash flows are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

ISS participates in multi-employer pension schemes that by nature are defined benefit plans. Some funds are however not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans and the schemes are therefore accounted for as defined contribution plans. There is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

Defined contribution plans

The majority of the Group's pension schemes are defined contribution plans. In these plans, contributions are paid to publicly or privately administered pension plans on a statutory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. In 2013, contributions to defined contribution plans amounted to DKK 1,830 million (2012/2011: DKK 1,868 million/DKK 1,839 million).

Defined benefit plans

The Group has a number of defined benefit plans. The largest plans are in Switzerland and the United Kingdom. Together, they account for 81% (2012/2011: 71%/68%) of the Group's total defined benefit obligation (gross) and 95% (2012/2011: 80%/77%) of its plan assets. In addition to these, the plan in the Netherlands accounted for 13% of the gross obligation in 2012. During 2013, the plan was settled and transferred to a fully insured multi-employer pension fund. The settlement resulted in a gain of DKK 64 million, which was recognised in the income statement.

The defined benefit plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. For defined benefit plans the Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability etc. The majority of the obligations are funded, but in some countries, mainly Sweden and France, the obligation is unfunded.

Pension plans in Switzerland Pension plans are governed by the Swiss Federal Law on Occupational retirement, Survivors' and Disability Pension Plans (LPP/BVG), which stipulates that pension plans must be managed by independent, legally autonomous units.

Plan participants are insured against the financial consequences of retirement, disability and death.

The pension plans are contribution-based plans guaranteeing a minimum interest credit and fixed conversion rates at retirement. Contributions are paid by both the employee and the employer. The plans must be fully funded under the LPP/BVG law on a static basis at all times. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both.

NOTE 8.4 Pensions and similar obligations (continued)

The main pension plan has the legal structure of a foundation responsible for the governance of the plan and for the investment of the assets. The foundation defines the investment strategy and has set up guidelines on allocation between assets.

The pension plans include a risk-sharing element between ISS and the plan participants. The risk-sharing element is recognised in the pension obligation at the reporting date.

Pension plans in the United Kingdom Plan participants are insured against the financial consequences of retirement. The schemes does not provide any insured disability benefits.

The pension plans are contribution-based plans guaranteeing defined benefit pension at retirement on a final salary basis. Contributions are paid by both the employee and the employer.

The schemes are legally structured as trust-based statutory sectionalised pension schemes. ISS has no control over the operation of the plans or their investments. An independent trustee or external administrator is responsible for the investment of the assets. The trustee or external administrator defines the investment strategy and have set up guidelines on asset allocation.

The majority of the pension plans does not include a risk-sharing element between ISS and the plan participants.

Recognised in the statement of financial position

DKK million	2013	2012	2011
Present value of funded obligations	4,370	5,233	4,045
Fair value of plan assets	(4,310)	(4,648)	(3,724)
Funded obligations, net	**60**	**585**	**321**
Present value of unfunded obligations	603	640	572
Accumulated impact from asset ceiling	75	12	13
Reclassification to Liabilities classified as held for sale	(38)	(17)	-
Recognised in the statement of financial position for defined benefit obligations	**700**	**1,220**	**906**
Other long-term employee benefits	154	219	193
Reclassification to Liabilities classified as held for sale	(16)	(6)	-
Pensions and similar obligations at 31 December	**838**	**1,433**	**1,099**
Specification of defined benefit obligations:			
Present value of funded obligations	4,370	5,233	4,045
Present value of unfunded obligations	603	640	572
Defined benefit obligations at 31 December	**4,973**	**5,873**	**4,617**
Movement in defined benefit obligations (funded and unfunded):			
Present value of obligations at 1 January	5,873	4,617	4,283
Foreign exchange adjustments	(104)	54	65
Reclassifications from/(to) Other long-term employee benefits	39	(3)	47
Additions from new contracts	2	433	-
Disposals through divestment of businesses	(65)	(1)	-
Interest on obligation	158	168	162
Current service costs	205	154	155
Benefits paid	(181)	(198)	(224)
Employee contributions	121	120	110
Actuarial (gains)/losses from demographic assumptions	(217)	68	15
Actuarial (gains)/losses from financial assumptions	13	622	(36)
Actuarial (gains)/losses due to experience adjustments	(6)	(71)	36
Recognised past service costs	4	(81)	5
Liabilities extinguished on settlements and curtailments	(869)	(9)	(1)
Present value of obligations at 31 December	**4,973**	**5,873**	**4,617**

NOTE 8.4 Pensions and similar obligations (continued)

Recognised in the statement of financial position (continued)

DKK million	2013	2012	2011
Movement in fair value of plan assets:			
Fair value of plan assets at 1 January	4,648	3,724	3,435
Foreign exchange adjustments	(73)	39	62
Reclassifications	9	-	45
Disposals through divestment of businesses	(37)	-	-
Additions from new contracts	3	433	-
Interest income on plan assets	125	147	138
Return on plan assets excluding interest income	200	103	(118)
Assets distributed on settlements	(799)	(1)	-
Employee contributions	121	120	110
Employer contributions	201	183	178
Benefits paid	(88)	(100)	(126)
Fair value of plan assets at 31 December	**4,310**	**4,648**	**3,724**
Major categories of plan assets (% of total plan assets):			
Corporate bonds	47%	39%	43%
Listed shares	25%	18%	23%
Property	7%	7%	4%
Government bonds	6%	11%	18%
Cash and cash equivalents	6%	14%	3%
Unlisted shares	0%	6%	5%
Other	9%	5%	4%
Total	**100%**	**100%**	**100%**

The Group expects to contribute DKK 169 million to its funded defined benefit plans in 2014.

Recognised in the income statement

DKK million	2013	2012	2011
Current service costs	205	154	155
Past service costs, net	4	(81)	5
Gains on curtailments and settlements, net	(70)	(9)	(1)
Recognised as Staff costs	**139**	**64**	**159**
Net interest	33	21	24
Recognised as Financial expenses	**33**	**21**	**24**

Recognised in the statement of comprehensive income

DKK million	2013	2012	2011
Actuarial (gains)/losses from demographic assumptions	(217)	68	15
Actuarial (gains)/losses from financial assumptions	13	622	(36)
Actuarial (gains)/losses due to experience adjustments	(6)	(71)	36
Return on plan assets excluding interest income	(200)	(103)	118
Impact from asset ceiling	63	(1)	(8)
Recognised in the statement of comprehensive income	**(347)**	**515**	**125**

NOTE 8.4 Pensions and similar obligations (continued)

Actuarial assumptions

Actuarial calculations and valuations are performed annually for all major defined benefit plans. The actuarial assumptions vary from country to country due to local conditions. The range of actuarial assumptions used is as follows:

	2013				2012			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
Discount rates at 31 December	2.2%	4.4%	2.7-3.5%	1.3-9.5%	2.0%	4.4%	2.8-3.6%	1.0-9.0%
Expected return on plan assets at 31 December	-	-	-	-	2.9%	6.3%	2.8-4.4%	1.3-8.5%
Future salary increases	1.0%	1.5%	0.0-2.5%	0.0-10.0%	1.0%	3.0%	2.0-3.0%	0.0-10.0%
Future pension increases	0.0%	3.3%	0.0-2.0%	0.0-2.0%	0.0%	2.8%	1.8-2.1%	0.0-2.8%

	2011			
	CHF	GBP	EUR	Other currencies
Discount rates at 31 December	2.9%	4.8%	4.5-4.8%	1.5-10.0%
Expected return on plan assets at 31 December	3.3%	6.3%	2.8-4.7%	2.3-8.5%
Future salary increases	2.0%	3.0%	2.0-3.0%	0.0-10.0%
Future pension increases	0.0%	2.9%	1.8-2.1%	0.0-1.6%

Discount rates are based on the market yield of high quality corporate bonds or government bond with a maturity approximating to the terms of the defined benefit obligations. Switzerland represents 67% of the gross obligation (2012/2011: 59%/55%) and the United Kingdom represents 14% of the gross obligation (2012/2011: 12%/13%).

Expected return on plan assets is based on the plan asset portfolio and general expectations to the economic development.

Sensitivity analysis The table below illustrates the sensitivity related to significant actuarial assumptions used in the calculation of the defined benefit obligation recognised at the reporting date. The analysis is based on changes in assumptions that the Group considered to be reasonably possible at the reporting date. It is estimated that the relevant changes in assumptions would have increased/(decreased) the defined benefit obligation by the amounts shown below:

	2013	
DKK million	+0.5%	-0.5%
Discount rate	(284)	320
Future price inflation	97	(92)
Future salary increases	40	(50)
Future pension increases	205	(61)
	+1 year	-1 year
Mortality expectancy	84	(90)

The estimated weighted average duration of the defined benefit obligation was 14 years and is split into:

Years	2013	2012	2011
Active employees	13	17	16
Retired employees	13	13	12
Deferred vested	22	21	20
Total employees	14	16	16

NOTE 8.5 Provisions

Accounting policy
Provisions are recognised if the Group, as a result of a past event has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. The costs required to settle the obligation are discounted if this significantly impacts the measurement of the liability. The entity's average borrowing rate is used as discount rate.

Restructuring costs are recognised under Provisions when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date. On acquisition of businesses, restructuring provisions in the acquiree are only included in goodwill when the acquiree has a restructuring liability at the acquisition date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

When the Group has a legal obligation to dismantle or remove an asset or restore a site or rented facilities when vacated, a provision is recognised corresponding to the present value of expected future costs. The present value of the obligation is included in the cost of the relevant tangible asset and depreciated accordingly.

Critical accounting estimates and judgement
The amount recognised as a provision is management's best estimate of the amount required to settle the obligation. The outcome depends on future events that are uncertain by nature. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

Specification of provisions

2013 DKK million	Legal cases	Self-insurance	Contingent liabilities in acquisitions	Other	Total
Provisions at 1 January	152	256	48	121	577
Foreign exchange adjustments	(10)	(21)	(0)	(8)	(39)
Provisions made during the year	125	144	-	339	608
Provisions used during the year	(50)	(167)	(9)	(94)	(320)
Provisions reversed during the year	(31)	(2)	(1)	(18)	(52)
Unwind of discount	3	5	-	9	17
Reclassification to Liabilities classified as held for sale	(8)	-	-	(9)	(17)
Reclassification between categories and (to)/ from Other liabilities	5	4	(1)	5	13
Provisions at 31 December	**186**	**219**	**37**	**345**	**787**
Current	97	60	-	160	317
Non-current	89	159	37	185	470

Legal cases The provision comprises obligations in relation to a number of legal and labour-related cases in certain countries.

Self-insurance In Australia, Hong Kong, Ireland, the USA and the United Kingdom, the Group carries insurance provisions on employers' liability and/or workers compensation. Ireland and the United Kingdom are self-insured up to a yearly limit of DKK 25 million (2012/2011: DKK 21 million/DKK 21 million). The USA is self-insured up to a limit of DKK 2.7 million per claim (2012/2011: DKK 2.8 million/DKK 1.4 million). Australia is self-insured up to a limit of DKK 2.4 million per claim (2012/2011: DKK 2.9 million/DKK 2.9 million). Hong Kong is self-insured up to a yearly limit of DKK 14 million (2012/2011: DKK 15 million/no self-insurance). Generally, the provisions for self-insurance are based on valuations from external actuaries.

Furthermore, the provision includes liability not insured under the global general liability insurance with a self-insured level of DKK 0.2 million per claim and DKK 0.1 million per claim in the USA and obligations and legal costs in relation to various insurance cases if not covered by the insurance.

Contingent liabilities in acquisitions comprises contingent liabilities assumed in acquisitions and relates mainly to legal cases.

Other comprises various other obligations incurred, e.g. restructuring costs, guarantee reserves, dismantling costs, operational issues, closure of contracts, costs of meeting obligations under onerous contracts as well as acquisition and integration costs mainly related to transaction costs, redundancy payments and termination of rental of properties. At 31 December 2013, provisions for onerous contracts were included with DKK 168 million (2012/2011: DKK 9 million/DKK 9 million) and provisions for acquisition and integration costs were included with DKK 3 million (2012/2011: DKK 4 million/DKK 12 million).

NOTE 8.5 Provisions (continued)

2012 DKK million	Legal cases	Self-insurance	Contingent liabilities in acquisitions	Other	Total
Provisions at 1 January	175	230	73	115	593
Foreign exchange adjustments	(1)	(0)	0	(0)	(1)
Disposals through divestment of businesses	(1)	-	-	(1)	(2)
Provisions made during the year	83	162	-	28	273
Provisions used during the year	(42)	(156)	(7)	(36)	(241)
Provisions reversed during the year	(45)	(1)	-	(24)	(70)
Unwind of discount	3	8	-	1	12
Reclassification to Liabilities classified as held for sale	(3)	(0)	(19)	(1)	(23)
Reclassification between categories and (to)/ from Other liabilities	(17)	13	1	39	36
Provisions at 31 December	**152**	**256**	**48**	**121**	**577**
Current	81	94	-	50	225
Non-current	71	162	48	71	352

2011 DKK million	Legal cases	Self-insurance	Contingent liabilities in acquisitions	Other	Total
Provisions at 1 January	202	191	91	256	740
Foreign exchange adjustments	(4)	4	(1)	0	(1)
Provisions made during the year	69	164	-	45	278
Provisions used during the year	(48)	(126)	(3)	(62)	(239)
Provisions reversed during the year	(75)	(10)	(10)	(56)	(151)
Unwind of discount	2	7	-	1	10
Reclassification to Liabilities classified as held for sale	(0)	-	-	(3)	(3)
Reclassification between categories and (to)/ from Other liabilities	29	-	(4)	(66)	(41)
Provisions at 31 December	**175**	**230**	**73**	**115**	**593**
Current	98	78	-	79	255
Non-current	77	152	73	36	338

NOTE 8.6 Contingent liabilities

Senior Facility Agreement
ISS A/S has executed pledge agreements over (i) its shares in ISS World Services A/S, (ii) its bank accounts and (iii) certain intra-group receivables as security for the Group's senior facilities and on a secondary basis as security for the Subordinated Notes issued by ISS A/S.

ISS A/S, ISS World Services A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Australia, Belgium, Denmark, Finland, France, Germany, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the USA have provided guarantees for ISS Global A/S's borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, intra-group receivables, other receivables, properties, production equipment and intellectual property rights of ISS World Services A/S and these subsidiaries. At 31 December, the aggregate values of assets provided as security for the borrowings under the senior facilities were:

DKK billion	2013	2012	2011
Goodwill	3.5	4.2	4.1
Customer contracts	0.6	0.7	0.8
Intellectual property rights	1.6	1.6	1.6
Other intangible and tangible assets	0.5	0.5	0.4
Trade receivables	1.9	2.1	2.1
Other receivables	0.2	0.2	0.2
Bank accounts	0.3	0.7	1.4
Total	**8.6**	**10.0**	**10.6**

In addition, the shares in ISS Global A/S's material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Brazil, the Czech Republic, Hong Kong, Ireland, Israel, Portugal, New Zealand, Singapore and Switzerland have been pledged.

Securitisation
Certain countries participate in the Group's securitisation programme where securitised trade receivables are provided as security for the securitisation debt. As at 31 December 2013, trade receivables of DKK 4,535 million (2012/2011: DKK 4,818/DKK 4,961 million) had been placed as security for securitisation debt with a face value of DKK 2,773 million (2012/2011: DKK 2,635 million/DKK 2,638 million). In addition hereto DKK 1,532 million (2012/2011: DKK 1,311 million/DKK 1,313 million) cash held by the Group's consolidated SPEs handling the Group's securitisation programme was pledged as security for securitisation debt. Of the total amount of cash held by the Group's SPEs DKK 133 million (2012/2011: DKK 110 million/DKK 392 million) was not considered readily available for general use by the parent company or other subsidiaries.

Guarantee commitments
Indemnity and guarantee commitments at 31 December 2013 amounted to DKK 425 million (2012/2011: DKK 461 million/DKK 465 million).

Performance guarantee
The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 1,864 million (2012/2011: DKK 1,784 million/DKK 1,705 million) of which DKK 1,236 million (2012/2011: DKK 1,251 million/DKK 1,277 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry.

Divestments
The Group makes provisions for claims from purchasers or other parties in connection with divestments and representations and warranties given in relation to such divestments. Management believes that provisions made at 31 December 2013 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

Legal proceedings
The Group is party to certain legal proceedings. Management believes that these proceedings (many of which are labour-related cases incidental to the business) will not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2013.

Restructuring projects
Restructuring projects aiming at adjusting capacity to lower activity have been undertaken across different geographies and service areas. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2013.

NOTE 8.7 Financial assets and liabilities

Carrying amount of financial assets and liabilities compared to fair values

The carrying amount of financial assets and liabilities by classification are presented below:

DKK million	Note	2013	2012	2011
Financial assets designated as fair value through profit or loss		38	91	20
Loans and receivables		13,662	14,829	15,359
Financial liabilities designated as fair value through profit or loss		13	27	39
Financial liabilities used for hedging	5.6	52	112	43
Financial liabilities measured at amortised cost		29,790	33,429	37,540

The fair values of financial assets and liabilities approximates the carrying amounts except for Financial liabilities measured at amortised cost where the fair value amounts to DKK 30,059 million (2012/2011: DKK 33,851 million/DKK 37,985) compared to the carrying amount in the table above.

Methods, assumptions and techniques used to determine fair value

The methods, assumptions and techniques used in determining the fair values of each category of financial assets and financial liabilities are described below. The methods are unchanged compared with 2012 and 2011.

Derivative financial instruments comprise currency swaps and interest rate swaps and are included in the categories above under Financial assets designated as fair value through profit or loss, Financial liabilities designated as fair value through profit or loss or Financial liabilities used for hedging. The fair value of derivative financial instruments is determined on the basis of observable market data using generally accepted methods taking into account both ISS's and the counterparties' credit risk. The fair value of interest rate swaps is based on market rates for yield curves. The fair value of currency swaps is based on the difference between the purchase price and the price at the reporting date. The fair value of derivative financial instruments has been categorised as Level 2 in the Fair value hierarchy based on the inputs to the valuation method used.

Other financial liabilities including issued bonds, bank loans, finance lease liabilities, trade payables and other liabilities are measured at amortised cost in the statement of financial position. The note disclosure of the fair value is for the issued bonds (EMTNs, Subordinated Notes and Senior Notes) based on the quoted market price on the Luxembourg Stock Exchange. For the remaining part of loans and borrowings fair value is equal to the nominal value.

NOTE 8.8 Reconciliation of segment information

Reconciliations to the income statement

DKK million	2013	2012	2011
Revenue			
Revenue for reportable segments	78,543	79,524	77,709
Elimination of internal revenue	(84)	(70)	(65)
Revenue according to the income statement	**78,459**	**79,454**	**77,644**
Operating profit			
Operating profit for reportable segments	4,813	4,555	4,726
Unallocated corporate costs	(534)	(404)	(429)
Unallocated other income and expenses, net	(64)	(48)	(132)
Operating profit according to the income statement	**4,215**	**4,103**	**4,165**
Unallocated:			
Share of result from equity-accounted investees	6	4	0
Financial income	170	217	197
Financial expenses	(2,446)	(2,943)	(2,999)
Profit before tax and goodwill impairment/amortisation and impairment of brands and customer contracts according to the income statement	**1,945**	**1,381**	**1,363**

Reconciliations to statement of financial position

DKK million	2013	2012	2011
Total assets			
Total assets for reportable segments	54,528	58,717	58,430
Elimination of internal assets 1)	(38,770)	(38,769)	(38,524)
Unallocated assets 2)	32,818	33,940	35,074
Total assets according to the statement of financial position	**48,576**	**53,888**	**54,980**
Additions to non-current assets 3)			
Additions to non-current assets for reportable segments	897	982	1,062
Unallocated additions to non-current assets	50	33	70
Total additions to non-current assets according to the statement of financial position	**947**	**1,015**	**1,132**
Total liabilities			
Total liabilities for reportable segments	34,505	38,619	38,601
Elimination of internal liabilities 1)	(38,260)	(38,238)	(38,013)
Unallocated liabilities 2)	48,085	48,400	52,253
Total liabilities according to the statement of financial position	**44,330**	**48,781**	**52,841**

1) Eliminations mainly relate to intra-group balances.
2) Unallocated assets and liabilities mainly relate to the Group's holding companies as they are not included in the reportable segments. The assets and liabilities comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.
3) Additions to non-current assets comprise additions to Intangible assets and Property, plant and equipment including acquisitions through business combinations.

NOTE 8.9 Subsequent events

2013

ISS intends to launch an IPO

ISS has on 18 February 2014 announced its intention to launch an Initial Public Offering (IPO) of its shares and to list on NASDAQ OMX Copenhagen. The intended IPO is expected to consist primarily of an issue of new shares to raise proceeds of approximately DKK 8 billion. Proceeds from the IPO are proposed, together with amounts drawn under a new banking facilities agreement subject to the IPO, to repay existing credit facilities during the course of 2014.

Drawings can be made under the new facilities agreement, which was put in place on 18 February 2014, subject to satisfaction of certain conditions precedent, including that the offering of shares contemplated by way of the IPO has occurred or will occur concurrently with the first drawing under the new facilities. The new facility, with investment grade like terms, is in place with a smaller number of relationship banks and includes a more attractive and flexible interest margin depending on our leverage.

In preparation for the IPO, in January 2014 the Board of Directors (Board) approved the implementation of selected incentive schemes to apply for the EGM, the GMB and certain other employees subject to the completion of the IPO.

Other

Acquisitions and divestments completed subsequent to 31 December 2013 are listed in note 4.1, Acquisition and divestment of businesses.

On 8 January 2014, we announced the sale of our commercial security business in Australia and New Zealand. The transaction is subject to the satisfaction of certain customary conditions and we expect the sale to be completed in the first quarter of 2014.

On 3 February 2014, we announced the extension of the global IFS contract with HP until the end of 2018.

On 18 February 2014, ISS announced that the Board had elected board member Thomas Berglund as Deputy Chairman of the Board.

Apart from the above and the events described elsewhere in the consolidated financial statements, the Group is not aware of events subsequent to 31 December 2013, which are expected to have a material impact on the Group's financial position.

2012

On 4 March 2013, ISS announced that it is seeking consent of its lenders under the Senior Facilities Agreement to amend and extend its debt maturities with additional three years, including a refinancing of the Second Lien Facility.

In addition, in March 2013 ISS was further upgraded by Moody's from B1 Stable Outlook to B1 Positive Outlook, and the Senior Credit Facilities were assigned a BB- rating from S&P and a Ba3 rating from Moody's.

Apart from the above and the events described in the consolidated financial statements for 2012, the Group was not aware of events subsequent to 31 December 2012, which were expected to have a material impact on the Group's financial position.

2011

Divestments made by the Group in the period from 1 January to 29 February 2012 are listed below. No acquisitions were completed in the period.

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
ISS Proko Infra Oy	Finland	Facility management	March	64%	9	14
Total					**9**	**14**

[1] Approximate figures based on information available at the time of divestment extracted from unaudited financial information.

Apart from the above and the events described in the consolidated financial statements for 2011, the Group was not aware of events subsequent to 31 December 2011, which were expected to have a material impact on the Group's financial position.

NOTE 8.10 New standards and interpretations not yet implemented

IASB has published the following new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2013:

- Amendments to IAS 32; and
- Amendments to IAS 39.

In addition IASB has published the following new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2013:

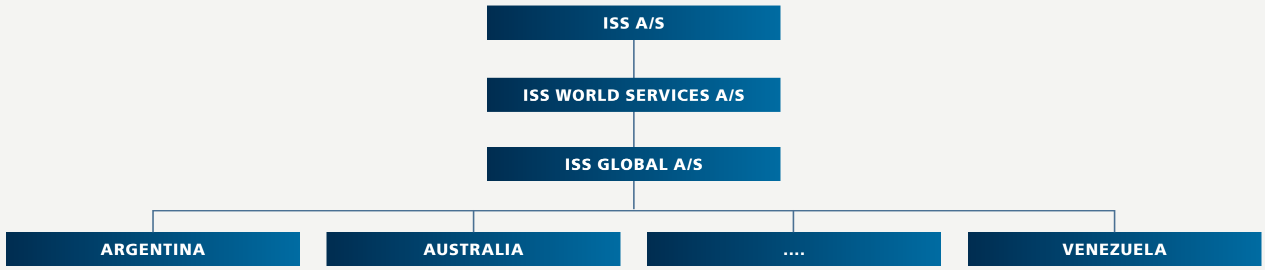
- IFRS 9;
- Amendments to IFRS 9;
- Amendments to IFRS 7;
- Amendments to IAS 19;
- Amendments to IAS 39;
- Annual improvements to IFRSs 2010-2012 cycle;
- Annual improvements to IFRSs 2011-2013 cycle; and
- IFRIC 21.

Except for the early adoption of Amendments to IAS 36 the Group expects to adopt the new standards and interpretations when they become mandatory. The standards and interpretations that are approved with different effective dates in the EU than the corresponding effective dates under IASB will be early adopted so that the implementation follows the effective dates under IASB.

Based on the current business setup and level of activities none of the standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements of the Group.

NOTE 8.11 Subsidiaries, associates, joint ventures and SPEs

Below the significant subsidiaries, associates, joint ventures and SPEs of the Group are presented together with a Group chart showing the ownership structure from ISS A/S and down. Together these are referred to as "Companies within the ISS Group". Undertakings of immaterial interest are left out.



Argentina

ISS Argentina S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Food S.A.	100%
ISS Litorial S.A.	100%
ISS Office Services S.A.	100%
ISS Personal Temporario S.R.L.	100%
ISS Retail S.A.	100%

Australia

Blurlato Pty Ltd.	100%
Fondi Investments Ltd.	100%
ISS Catering Services Pty Ltd.	100%
ISS Facility Services Australia Ltd.	100%
ISS Franchise Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Integrated Services Pty Ltd.	100%
ISS Property Services Pty Ltd.	100%
ISS Security Pty Ltd.	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
Prestige Protection Services Pty Ltd.	100%

Austria

ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%
ISS Hotel, SPA & Gastro Services GmbH	100%

Belgium

BD Food Invest S.A.	100%
ISS Catering N.V.	100%
ISS Integrated Facility Services N.V.	100%
ISS Industrial Cleaning N.V.	100%
ISS Landscaping N.V.	100%
ISS N.V.	100%
ISS Office Support Services N.V.	100%
ISS Reception & Support Services N.V.	100%

Bosnia and Herzegovina

ISS Facility Services d.o.o. Sarajevo	100%

Brazil

ISS Biosystem Saneamento Ambiental Ltda.	100%
ISS Catering Sistemas de Alimentação Ltda.	100%
ISS Manutenção e Operação de Utilidades Ltda.	100%
ISS Manutenção e Serviços Integrados Ltda.	100%
ISS Serviços de Logistica Integrada Ltda.	100%
ISS Servisystem do Brasil Ltda.	100%
ISS Sulamericana Brasil Ltda.	100%

Brunei

ISS Facility Services Sdn. Bhd.	100%

Bulgaria

ISS Facility Services EOOD	100%

Canada

ISS Facility Services Inc.	100%

Chile

ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Instituto de Formacion Ltda.	100%
ISS Servicios de Limpieza Industrial Ltda.	100%
ISS Servicios de Limpieza Mecanizada S.A.	100%
ISS Servicios de Soporte Est Ltda.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%

China and Hong Kong

Cornerstone Associates Ltd.	100%
Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS Allsecure Ltd.	100%
ISS Building Consultancy Ltd.	100%
ISS Business Solutions Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS China Holdings Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Consultants Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services (Beijing) Ltd.	100%
ISS Facility Services (Shanghai) Ltd.	100%
ISS Facility Services (Tianjin) Ltd.	100%
ISS Facility Services China Ltd.	100%

NOTE 8.11 Subsidiaries, associates, joint ventures and SPEs (continued)

China and Hong Kong (continued)

ISS Facility Services Ltd.	100%
ISS Facility Services (Shenzhen) Ltd.	100%
ISS Greater China Ltd.	100%
ISS Hangyang (Beijing) Cleaning Services Co., Ltd.	100%
ISS Hong Kong Services Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Ltd.	100%
ISS Hygiene Services (HK) Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
ISS Roboclean (HK) Co., Ltd.	100%
ISS Servisystem (China) Ltd.	100%
ISS Thomas Cowan Co., Ltd.	100%
JSL Ltd.	100%
LAWN Environmental Protection Ltd.	100%
Shanghai B&A Property Management Co., Ltd.	100%
Shanghai B&A Security Service Co., Ltd.	100%
Shanghai ISS Catering Management Co., Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%

Colombia

ISS Facility Services SA S	100%

Costa Rica

ISS Facility Services Costa Rica Limitada	100%

Croatia

ISS Usluzne djelatnosti d.o.o.	100%

Czech Republic

ISS Facility Services s.r.o	100%
ISS Optimal s.r.o.	100%
ISS Správa Budov s.r.o.	100%

Denmark

ISS Capital A/S	100%
ISS Facility Services A/S	100%
ISS Finans A/S	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Kloak- & Industriservice A/S	100%
ISS Lending A/S	100%
ISS Venture A/S	100%
ISS Hotel & Event Services A/S	100%

Ecuador

EISSEcuador S.A	100%
ISS Facility Servicios Ecuador S.A	100%

Estonia

ISS Eesti AS	100%
ISS Haldus OÜ	100%

Finland

ISS Aviation Oy	100%
ISS Henkilöstöpalvelut Oy	100%
ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
ISS Proko Oy	100%
Suomen Laatutakuu Palvelut Oy	100%

France

Channel Passenger Services SAS	100%
Extincteurs Haas SAS	100%
GIE ISS Services	100%
ISS Espaces Verts SAS	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Hygiene & Prevention SAS	100%
ISS Hygiene SAS	100%
ISS Logistique et Production SAS	100%
ISS Proprete SAS	100%
Stop Flam SAS	100%

Germany

ISS Facility Services GmbH	100%
ISS HWS GmbH & Co. KG	100%
ISS Personalservice GmbH	100%
Klaus Harren GmbH	100%

Greece

ISS Facility Services S.A.	100%
ISS Human Resources S.A.	100%
ISS Security S.A.	100%

Greenland

ISS Grønland A/S	100%

Hungary

ISS Facility Services Kft.	100%
Profi-Komfort Kft.	100%

Iceland

ISS Ísland ehf.	100%

India

ISS Catering Services (South) Pvt. Ltd.	100%
ISS Catering Services (West) Pvt. Ltd.	100%
ISS Facility Services (India) Pvt. Ltd.	100%
ISS HiCare Pvt. Ltd.	100%
ISS Integrated Facility Services Pvt. Ltd.	100%
ISS Management Services Pvt. Ltd.	100%
ISS Pest Control Services Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	49% [4)]
ISS Support Services Pvt. Ltd.	100%
Modern Protection & Investigations Ltd.	49% [4)]

Indonesia

PT ISS Catering Services	0% [4)]
PT ISS Facility Services	100%
PT ISS Indonesia	0% [4)]
PT ISS Parking Management	0% [4)]

Ireland

ISS Ireland Holding Ltd.	100%
ISS Ireland Ltd.	100%

Israel

A. Kfir Holding Ltd.	100%
Catering Ltd.	100%
Catering Tefen (1991) Ltd.	100%

NOTE 8.11 Subsidiaries, associates, joint ventures and SPEs (continued)

Israel (continued)

Glat Chef Ltd.	50% 1)
I.S.S Outsourcing Ltd.	100%
ISS Ashmoret Ltd.	100%
ISS Integrated Facility Service Management Ltd.	100%
ISS Israel Manpower Services Ltd.	100%
ISS Israel Comprehensive Business Services Ltd.	100%
ISS Kfir Surveillance and Control Solutions Ltd.	100%
Kfir Surveillance and Electronic Systems Ltd.	100%
M.A.S h Machatz Agencies (1997) Ltd.	100%
Norcat Ltd.	100%
Norfolk Enterprise Ltd.	100%
Norfolk International Ltd.	100%

Italy

ISS Facility Services S.r.l.	100%

Japan

Nihon ISS KK	100%

Latvia

ISS Namu Serviss SIA	100%

Lithuania

ISS Pastatu Valda UAB	100%

Luxembourg

ISS Facility Services S.A.	100%
ISS Luxintérim S.à r.l.	100%

Malaysia

ISS Facility Services Sdn. Bhd.	30% 4)
ISS Hygiene Services Sdn. Bhd.	100%
Kontrekleen Sdn. Bhd.	30% 4)
Reliance Suci Environmental Sdn. Bhd.	30% 4)

Mexico

ISS Catering, SA de CV	100%
ISS Centro América, S de RL de CV	100%
ISS Facility Services, SA de CV	100%
ISS Servicios Adm., SA de CV Sociedad Fin. de Obj.	100%
ISS Servicios Gerenciales, S de RL de CV	100%
ISS Servicios Integrales, S de RL de CV	100%
Mantenimiento Ténico Tapnew, SA de CV	100%
Martex, SA de CV	100%

Netherlands

ISS Building Maintenance Services B.V.	100%
ISS Catering Services B.V.	100%
ISS Cure & Care B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
ISS Reception Services B.V.	100%
TalentGroep Montaigne Facility Management B.V.	100%

New Zealand

First Security Guard Services Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%

Norway

ForvaltningsCompagniet AS	100%
Hero Holding AS	50% 1)
ISS Facility Services AS	100%
ISS Holding AS	100%
ISS Management AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%
NSB Trafikkservice AS	45% 2)
Personalhuset Ringnes AS	50% 1)
Personalhuset Staffing Group AS	100%
Raufoss Beredskap AS	51%

Panama

ISS Panama S.A.	100%

Peru

ISS Facility Services Peru S.A.C	100%
ISS World Peru S.A.C.	100%

Philippines

ISS Facility Services Phils., Inc.	100%

Poland

ISS Facility Services Sp. Z.o.o.	100%
ISS IS Sp. Z.o.o.	100%
ISS MS Sp. Z.o.o.	100%
ISS RS Sp. Z.o.o.	100%

Portugal

ISS Facility Services, Lda.	100%
ISS FS Açores, Lda.	100%
ISS Human Resources, Lda.	100%
ISS Portugal II, Lda.	100%

Puerto Rico

ISS Facility Services Puerto Rico, Inc.	100%

Romania

3D Romania S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%
ISS Security Servies S.R.L.	100%

Russia

Facility Services RUS LLC	100%

Singapore

ISS Asia Pacific Pte. Ltd.	100%
ISS Catering Pte. Ltd.	100%
ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Private Limited	100%
ISS Hydroculture Pte. Ltd.	100%
ISS Landscaping Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%
ISS Pest Management Pte. Ltd.	100%
ISS Sanitation Services Pte Ltd	100%
ISS-CDCS Catering Pte. Ltd.	100%
Serve1st Services Pte Ltd	100%

NOTE 8.11 Subsidiaries, associates, joint ventures and SPEs (continued)

Slovakia

ISS Facility Services spol s.r.o.	100%

Slovenia

ISS Facility Services d.o.o.	100%
Magnetik d.o.o.	100%

South Africa

ISS Facility Services (Pty) Limited	100%

Spain

Gelim Andalucia S.A.	100%
Gelim Asturias S.A.	100%
Gelim Baleares S.A.	100%
Gelim Canarias S.A.	100%
Gelim Galicia S.A.	100%
Gelim Madrid S.A.	100%
Gelim S.A.	100%
Gelim Valencia S.A.	100%
Integrated Service Solutions S.L.	100%
ISS Activa Educacional S.L.	100%
ISS Facility Services S.A.	100%
ISS Financiera Corporativa S.L.	0% [3]
ISS Salud y Servicios Sociosanitarios S.A.	100%
ISS Serv. de Información y Control de Accesos, S.L.	100%
ISS Soluciones de Catering S.L.	100%
ISS Soluciones de Seguridad S.L.	100%
Lloyd Outsourcing, S.L.	100%
UTE Ferriss-ISS	70% [1]

Sri Lanka

ISS Abans Environmental Services (PT) Ltd.	50% [1]

Sweden

ISS Facility Services AB	100%
ISS Facility Services Holding AB	100%
ISS Palvelut Holding AB	100%

Switzerland

ISS Aviation AG	100%
ISS Bernasconi SA	100%
ISS Facility Services (Liechtenstein) AG	100%
ISS Facility Services AG	100%
ISS Kanal Services AG	100%
ISS Schweiz AG	100%
ISS Security AG	100%

Taiwan

ISS Facility Services Ltd.	100%
ISS Security Ltd.	100%

Thailand

ISS Facility Services Co., Ltd.	100%
ISS Security Services Co., Ltd.	100%
ISS Support Services Co., Ltd.	100%
Notre-Bel Co., Ltd.	100%

Turkey

CMC Iletişim Bilg Reklam ve D. Hiz. San. Tic. A.Ş.	90% [5]
ISS Haşere Kontrol Hizmetleri A.Ş.	90% [5]
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	90% [5]
ISS Tesis Yönetim Hizmetleri A.Ş.	90% [5]
ISS Hazir Yemek Üretim ve Hizmet A.Ş.	90% [5]

United Kingdom

ISS Collections Ltd.	0% [3]
ISS Damage Control Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Financing Plc.	0% [3]
ISS Mediclean Ltd.	100%
ISS UK Holding Ltd.	100%
ISS UK Ltd.	100%
Spectrum Franchising Ltd.	100%

Uruguay

Falcri Ltda.	100%
Habitue S.A.	100%
ISS de Uruguay S.A.	100%
Samilar S.A.	100%

USA

ISS C&S Building Maintenance Corporation	100%
ISS Facility Services Holding, Inc.	100%
ISS Facility Services California, Inc.	100%
ISS Facility Services of Texas, L.P.	100%
ISS Facility Services, Inc.	100%
ISS GP, Inc.	100%
ISS Grounds Control of Texas, L.P.	100%
ISS Grounds Control, Inc.	100%
ISS Holding Inc.	100%
ISS Management and Finance Co., Inc.	100%
ISS Specialty Services, LLC	100%
ISS TMC Services, Inc.	100%
ISS Uniguard Security, Inc.	100%
TMC Ridge, LLC	100%
Tri-Enterprise Construction, LLC	100%

Venezuela

ISS Facility Services Venezuela C.A.	100%

[1] Joint venture
[2] Associate
[3] Special Purpose Entity (SPE)
[4] By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.
[5] The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

"It is the little things that create a great atmosphere"

Johanna Juutilainen
Security guard, Kuopio
ISS Finland

Johanna understands that a great customer experience begins at the front desk. With a positive mindset, she cheers up the atmosphere for everyone at Kuopio while taking good care of all visitors and employees.

Management statement

Copenhagen, 3 March 2014

The Board of Directors and the Executive Group Management Board have today discussed and approved the annual report of ISS A/S for the financial year 2013.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2013 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2013.

In our opinion, the Management review includes a fair review of the development in the Group's and the parent company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the parent company face.

We recommend that the annual report be approved at the annual general meeting.

Executive Group Management Board

Jeff Gravenhorst
Group Chief Executive Officer

Heine Dalsgaard
Group Chief Financial Officer

Henrik Andersen
Group Chief Operating Officer EMEA

John Peri
Group Chief Operating Officer Americas & APAC

Board of Directors

Lord Allen of Kensington CBE
Chairman

Thomas Berglund
Deputy Chairman

Jennie Chua

Morten Hummelmose

Henrik Poulsen

Jo Taylor

Andrew E. Wolff

Pernille Benborg [1)]

Joseph Nazareth [1)]

Palle Fransen Queck [1)]

[1)] Employee representative.

GROUP ANNUAL REPORT

This Group Annual Report is an extract of the ISS Annual Report pursuant to section 149 of the Danish Financial Statements Act. For the sake of clarity and user friendliness, ISS has chosen to issue a Group Annual Report that excludes the financial statements of the Parent Company, ISS A/S. The financial statements of the Parent Company are an integral part of the full Annual Report, which is available from ISS on request, and the full Annual Report is also available at and can be downloaded from www.issworld.com. After approval at the Annual General Meeting, the full Annual Report is also available on request from the Danish Business Authority. The full Annual Report has the Management statement by the Executive Group Management Board and Board of Directors as well as the Independent auditor's report.

Independent auditors' report

To the shareholders of ISS A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of ISS A/S for the financial year 1 January – 31 December 2013, pages 89-164 and pages 182-197. The consolidated financial statements and the parent company financial statements comprise Income statement, Statement of comprehensive income, Statement of cash flows, Statement of financial position, Statement of changes in equity and Notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2013 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

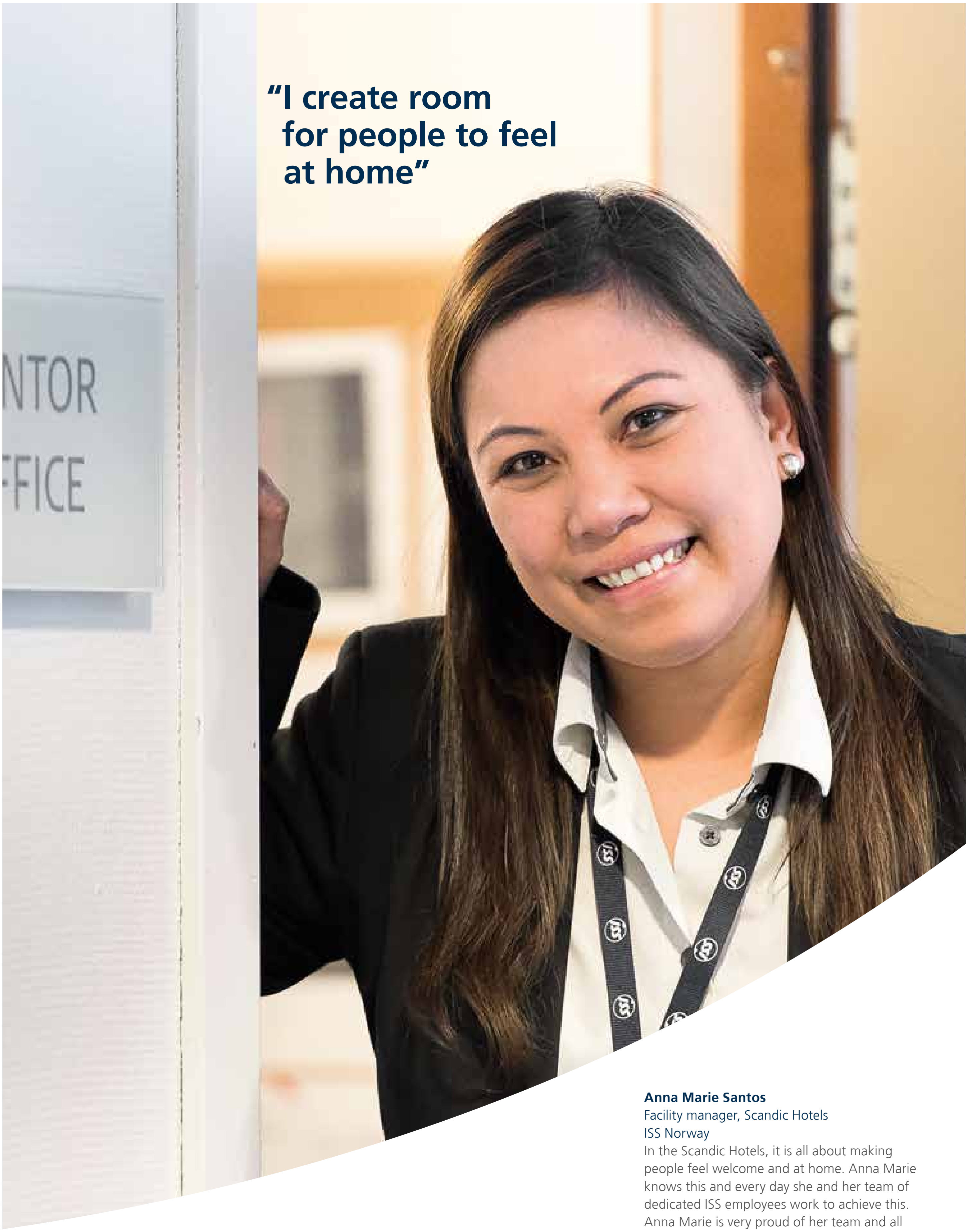
Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 3 March 2014
KPMG
Statsautoriseret Revisionspartnerselskab

Jesper Koefoed	**Claus Kronbak**
State Authorised Public Accountant	State Authorised Public Accountant

“I create room for people to feel at home”



Anna Marie Santos
Facility manager, Scandic Hotels
ISS Norway
In the Scandic Hotels, it is all about making people feel welcome and at home. Anna Marie knows this and every day she and her team of dedicated ISS employees work to achieve this. Anna Marie is very proud of her team and all the little extra things they do for the benefit of guests and customers.

Definitions

Acquisitions, %

$$= \frac{\text{Revenue from acquired businesses}^{1)} \times 100}{\text{Revenue prior year}}$$

1) Revenue from acquired businesses is based on management's expectations at the acquisition date.

Adjusted earnings per share

$$= \frac{\text{Profit before goodwill impairment/amortisation and impairment of brands and customer contracts}}{\text{Average number of shares, diluted}}$$

Adjusted EBITDA

= Operating profit before other items + Depreciation and amortisation

Basic earnings per share (EPS)

$$= \frac{\text{Net profit/(loss) for the year attributable to owners of ISS A/S}}{\text{Average number of shares}}$$

Net debt (carrying amount of net debt)

= Non-current loans and borrowings + Current loans and borrowings - Receivables from companies within the ISS Group - Securities - Cash and cash equivalents - Positive fair value of derivative financial instruments

Cash conversion, %

$$= \frac{\text{(Operating profit before other items last twelve months + Changes in working capital last twelve months)} \times 100}{\text{Operating profit before other items last twelve months}}$$

Diluted earnings per share

$$= \frac{\text{Net profit/(loss) for the year attributable to owners of ISS A/S}}{\text{Average number of shares, diluted}}$$

Divestments, %

$$= \frac{\text{Revenue from divested businesses}^{1)} \times 100}{\text{Revenue prior year}}$$

1) Revenue from divested businesses is based on estimated or actual revenue where available at the divestment date.

EBITDA

= Operating profit + Depreciation and amortisation

Equity ratio, %

$$= \frac{\text{Total equity attributable to owners of ISS A/S} \times 100}{\text{Total assets}}$$

Interest coverage

$$= \frac{\text{Operating profit before other items + Depreciation and amortisation}}{\text{Financial income and financial expenses, net}}$$

Operating margin, %

$$= \frac{\text{Operating profit before other items} \times 100}{\text{Total revenue}}$$

Organic growth, %

$$= \frac{\text{(Revenue current year - comparable revenue}^{1)}\text{ prior year)} \times 100}{\text{Comparable revenue}^{1)}\text{ prior year}}$$

1) Comparable revenue implies the exclusion of changes in revenue attributable to businesses acquired or divested and the effect of changes in foreign exchange rates. In order to present comparable revenue and thereby organic growth excluding any effect from changes in foreign currency exchange rates, comparable revenue in the prior year is calculated at the subsequent year's foreign currency exchange rates. Acquisitions of businesses are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquired businesses compared with revenue expectations at the date of acquisition. Organic growth is not a measure of financial performance under Danish GAAP or IFRS and the organic growth figures have not been audited.

Total revenue growth, %

$$= \frac{\text{(Revenue current year - revenue prior year)} \times 100}{\text{Revenue prior year}}$$

FORWARD-LOOKING STATEMENTS

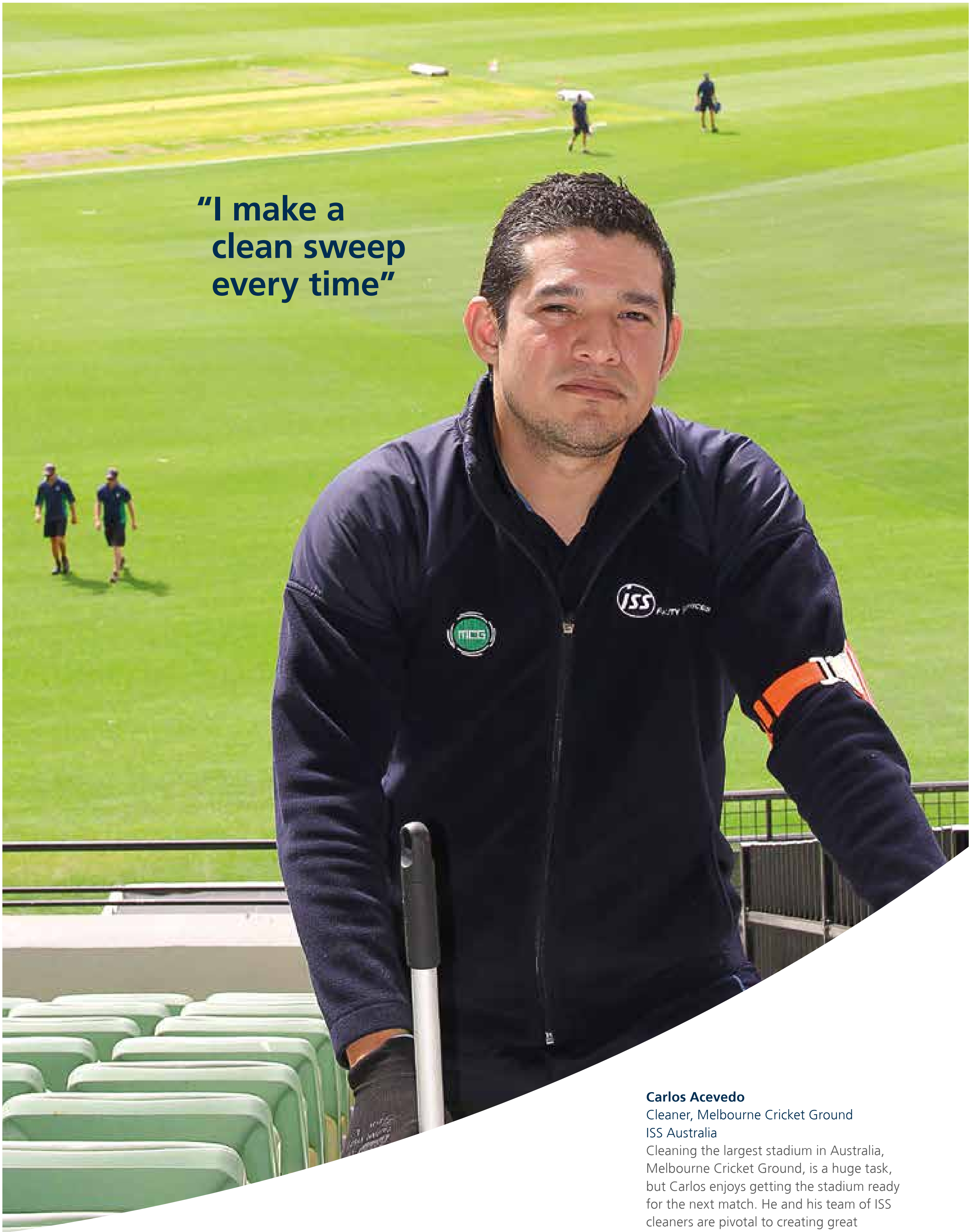
This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations contained in the "Outlook" section on page 9. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words "may", "will", "should", "expect", "anticipate", "believe", "estimate", "plan", "predict", "intend" or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. ISS has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties that could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in this report and other information made available by ISS.

As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

Additional company information

ISS HQ, The canteen

With high tables, caves and flexible interior the canteen is designed to support working and socialising as well as dining. The modern kitchen allows the skilled canteen staff to work their magic preparing delicious and healthy meals for employees and guests.



"I make a clean sweep every time"

Carlos Acevedo
Cleaner, Melbourne Cricket Ground
ISS Australia

Cleaning the largest stadium in Australia, Melbourne Cricket Ground, is a huge task, but Carlos enjoys getting the stadium ready for the next match. He and his team of ISS cleaners are pivotal to creating great experiences for the visitors, and Carlos takes great pride in his work.

Country revenue and employees

DKK million	2013 Total Revenue	2013 % of Group revenue	2013 Total Employees	2013 % of Group employees	2012 Total Revenue	2012 % of Group revenue	2012 Total Employees	2012 % of Group employees
Country								
United Kingdom	9,322	12%	45,660	9%	8,792	11%	44,611	8%
France	7,122	9%	28,888	5%	7,248	9%	30,912	6%
Norway	5,762	7%	11,249	2%	6,080	8%	12,805	2%
Australia	4,572	6%	11,752	2%	5,476	7%	12,432	2%
Spain	4,173	5%	28,224	5%	4,410	6%	29,315	5%
Switzerland	4,005	5%	11,218	2%	3,471	4%	11,029	2%
Finland	3,986	5%	11,497	2%	4,131	5%	11,822	2%
Sweden	3,948	5%	9,742	2%	4,047	5%	10,602	2%
USA	3,373	4%	14,281	3%	3,470	4%	15,307	3%
Denmark	2,965	4%	6,848	1%	3,293	4%	7,745	1%
Belgium and Luxembourg	2,856	4%	9,788	2%	2,999	4%	10,724	2%
Turkey	2,411	3%	27,780	5%	2,207	3%	24,380	5%
Netherlands	2,300	3%	9,713	2%	2,862	4%	13,426	3%
Germany	1,984	3%	9,924	2%	1,855	2%	10,864	2%
Israel	1,922	2%	12,081	2%	1,816	2%	11,939	2%
Hong Kong	1,793	2%	15,297	3%	1,715	2%	14,464	3%
Brazil	1,648	2%	17,384	3%	1,820	2%	17,233	3%
Austria	1,530	2%	7,144	1%	1,477	2%	6,977	1%
Indonesia	1,282	2%	55,366	10%	1,167	1%	56,307	11%
Singapore	1,278	2%	7,996	1%	1,219	2%	8,029	2%
India	1,129	1%	60,160	11%	1,042	1%	53,871	10%
Thailand	1,067	1%	28,710	5%	931	1%	26,203	5%
China	719	1%	14,693	3%	601	1%	14,484	3%
Chile	715	1%	12,710	2%	681	1%	11,679	2%
Mexico	652	1%	13,516	3%	643	1%	15,975	3%
Greece	564	1%	4,148	1%	632	1%	4,324	1%
Ireland	561	1%	3,351	1%	540	1%	3,232	1%
New Zealand	533	1%	2,492	0%	530	1%	2,502	0%
Portugal	507	1%	7,318	1%	492	1%	6,754	1%
Italy	448	1%	501	0%	614	1%	1,106	0%
Argentina	430	1%	3,416	1%	427	1%	3,305	1%
Czech Republic	405	1%	4,774	1%	426	1%	4,740	1%
Taiwan	298	0%	2,664	0%	307	0%	2,614	0%
Slovakia	230	0%	2,540	0%	211	0%	3,055	1%
Poland	222	0%	2,186	0%	222	0%	2,447	0%
Uruguay	204	0%	1,504	0%	201	0%	1,923	0%
Slovenia	201	0%	1,327	0%	168	0%	1,234	0%
Philippines	183	0%	5,574	1%	151	0%	3,869	1%
Hungary	154	0%	2,087	0%	144	0%	2,074	0%
Romania	149	0%	1,902	0%	151	0%	1,867	0%
Russia	141	0%	982	0%	124	0%	896	0%
Estonia	138	0%	1,647	0%	140	0%	1,717	0%
Malaysia	112	0%	1,606	0%	104	0%	1,536	0%
Japan	111	0%	47	0%	89	0%	35	0%
Iceland	99	0%	702	0%	93	0%	743	0%
Greenland	94	0%	305	0%	93	0%	301	0%
Canada	87	0%	43	0%	69	0%	43	0%
Brunei	33	0%	419	0%	30	0%	385	0%
Croatia	18	0%	217	0%	19	0%	292	0%
Other Countries, Latin America	59	0%	6	0%	48	0%	6	0%
Other Countries, Asia	14	0%	12	0%	12	0%	13	0%
Other Countries	38	0%	-	0%	36	0%	-	0%
Regional cost / elimination	(4)	0%	0	0%	(2)	0%	-	0%
Corporate functions / eliminations	(84)	0%	153	0%	(70)	0%	125	0%
ISS Group	**78,459**	**100%**	**533,544**	**100%**	**79,454**	**100%**	**534,273**	**100%**

"My responsibilities are as wide as my loading capacity"

Rolf Reilander

Wheel-loader operater, Forsmarks Kraftgrupp AB
ISS Sweden

Rolf has a very entrusted job at Formarks Kraftgrupp in Sweden as he is in charge of transporting used nuclear fuel. This is a task that requires the skills of an experienced driver such as Rolf. He feels proud to provide a safe and professional service for the customer.

Group COOs and regional CEOs

Henrik Andersen
Group COO EMEA

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Responsibility:
Overall responsible for EMEA and specifically for France, Ireland, the Netherlands, Spain, Portugal and the United Kingdom

Troels Bjerg
Regional CEO Nordic

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Responsibility:
Denmark, Finland, Greenland, Iceland, Norway and Sweden

Jacob Götzsche
Regional CEO Central Europe

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Responsibility:
Austria, Belgium, Germany, Greece, Israel, Italy, Luxembourg, Switzerland and Turkey

Flemming Bendt
Regional CEO Eastern Europe

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Responsibility:
Bosnia & Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia and Slovenia

John Peri
Group COO Americas & APAC

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Responsibility:
Overall responsible for Americas and Asia Pacific and specifically for the USA

Thomas Hinnerskov
Regional CEO Asia Pacific

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Responsibility:
Australia, Brunei, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, Sri Lanka, Taiwan and Thailand

Luis Andrade
Regional CEO Latin America

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Responsibility:
Argentina, Brazil, Chile, Mexico and Uruguay

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Head of Group Human Resources

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Head of Group Strategy
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Andrew Price
Head of Global Corporate Clients

Bjørn Raasteen
Group General Counsel

Peter Ankerstjerne
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Barbara Plucnar Jensen
Head of Group Treasury

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Head of Group Communication

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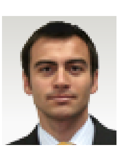

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In addition to the 50 countries shown above, where ISS operates and has an office, ISS operates in 20 countries where we have no office. These countries are: Bahrain, Bosnia and Herzegovina, Bulgaria, Canada, Cayman Island, Colombia, Costa Rica, Cyprus, Ecuador, Egypt, Nigeria, Pakistan, Panama, Peru, Puerto Rico, South Africa, South Korea, Ukraine, United Arab Emirates and Venezuela.

[1] The Group's revenue generated from activities in Bulgaria is reported as part of the activities in the Czech Republic.

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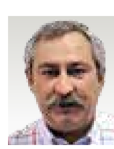

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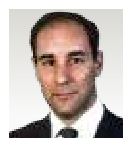

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Kontrapunkt
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certified after
DS/EN ISO
14001:2004 and
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9001:2008,

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FS Invest is the ultimate
parent company for which
consolidated financial
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The consolidated financial
statements can be obtained
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